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HUMAN RIGHTS AND U.S. VOTING POLICY IN THE DEVELOPMENT BANKS: THE CASE OF CHILE

HEARING

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL DEVELOPMENT INSTITUTIONS AND FINANCE

OF THE

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS HOUSE OF REPRESENTATIVES

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CONTENTS

WITNESSES

	Page
Abrams, Hon. Elliott, Assistant Secretary of State for Inter-American Affairs, accompanied by James E. Thyden, Director, Office of Human Rights; and James Conrow, Deputy Assistant Secretary of the Treasury for Developing Nations	59
Prepared statement	61
Harkin, Hon. Tom, a U.S. Senator from the State of Iowa	3
Prepared statement	8

MATERIAL SUBMITTED FOR INCLUSION IN THE RECORD

Abrams, Hon. Elliott, response to written questions submitted by Chairman Stan Lundine	79
Conrow, Hon. James, response to written questions submitted by Chairman Stan Lundine	88
Lundine, Chairman Stan:	
"Democracy and Double Standards: the View From Chile,"article from the World Policy Journal, fall 1985	37
Opening statement	2
"Report on the Situation of Human Rights in Chile" by the Organization of American States, dated September 27, 1985	29
Response to written questions submitted to:	
Hon. Elliott Abrams	79
Hon. James Conrow	88
Yatron, Hon. Gus, a Representative in Congress from the State of Pennsylvania, statement	26

HUMAN RIGHTS AND U.S. VOTING POLICY IN THE DEVELOPMENT BANKS: THE CASE OF CHILE

THURSDAY, DECEMBER 5, 1985

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON INTERNATIONAL
DEVELOPMENT, INSTITUTIONS AND FINANCE,
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to call, at 10:15 a.m., in room 2222, Rayburn House Office Building, Hon. Stan Lundine (chairman of the subcommittee) presiding.

Present: Chairman Lundine, Representatives Levin, Torres, Morrison, Bereuter, McCandless, Kolbe, and McMillan.

Chairman LUNDINE. The meeting of the subcommittee will come to order.

I have an opening statement which, because of the time situation for Senator Harkin, I am going to ask unanimous consent that it be placed in the record at this particular time.

[The opening statement of Chairman Lundine follows:]

OPENING STATEMENT

Chairman Stan Lundine
Subcommittee on International Development
Institutions and Finance

December 5, 1985

This morning's hearing of the Subcommittee on International Development Institutions and Finance will examine the application of Section 701 of the International Financial Institutions Act, Public Law 95-118 -- commonly known as the "human rights" provision of that law. In line with our responsibility to oversee Executive branch compliance with legislation under our jurisdiction, we will study the Administration's voting policy on multilateral development bank loans with particular reference to U.S. policy on loans to Chile. We will review the history and meaning of the human rights statute which legally governs U.S. conduct in this area.

In 1976, when then Congressman Tom Harkin first attempted to tie human rights considerations to the U.S. vote in the development banks, Chile was at the center of the debate. An increase of economic assistance to Chile through the multilateral development banks had occurred, in part to offset a decrease in bilateral aid to Chile resulting from the strengthening of another human rights provision, Section 502B of the military assistance bill.

Ten years later, Chile is still at the heart of this struggle for the Congressional prerogative to place conditions on the funds which it authorizes. And ten years later, the people of Chile continue to suffer under the repression of the Pinochet regime with the clear impression that the regime continues to have U.S. support.

This is not a debate about whether the U.S. government would willingly deny the citizens of Chile basic improvements in their standard of living. Section 701 allows loans for basic human needs even to those governments who violate the rights of their people. This is a debate about whether our tax money is being spent to prop up a government which regularly uses torture, internal banishment or exile, censorship and imprisonment to control a population with a long history of and deep-rooted commitment to democracy.

Eight years ago Tom Harkin testified before this subcommittee on the issues of world debt, human rights abuses in Chile and the role of the multilateral banks. His themes from March 22, 1977 are hauntingly relevant to today. It is disappointing to realize how little progress we have made on the problems he articulated then. Yet as long as this human rights legislation is the law, it is our responsibility to seek compliance with the mandate of the Congress that respect for human rights be a cornerstone of U.S. foreign assistance.

This morning we welcome Senator Tom Harkin, Assistant Secretary of State for Inter-American Affairs Elliott Abrams and Deputy Assistant Secretary of the Treasury for Developing Nations Jim Conrow, to review these matters.

Chairman LUNDINE. Mr. Bereuter.

Mr. BEREUTER. Only because the Senator is from Iowa, I would pass over my statement and would like to give it after the Senator has completed his.

Chairman LUNDINE. I also would like to reserve at this point in the record for Mr. Torres, who had an opening statement.

Mr. McMillan.

Mr. MCMILLAN. I have no opening statement.

Chairman LUNDINE. We are delighted this morning to have the author of the human rights provision in the law as our leading witness. In 1976, when Congressman Harkin first attempted to tie human rights considerations to the United States vote in the development banks, Chile was at the center of that debate, and to some degree, it still is.

This oversight hearing is an attempt to, 8 years later, revisit this issue. It is disappointing to realize how little progress we have made on the problems he articulated then.

As long as human rights legislation is in the law, it is our responsibility to seek compliance with the mandate of Congress that respect for human rights be a cornerstone of U.S. foreign assistance.

We are delighted to hear from Senator Harkin.

STATEMENT OF HON. TOM HARKIN, A U.S. SENATOR FROM THE STATE OF IOWA

Senator HARKIN. Thank you very much, Mr. Chairman, and Congressman Bereuter, my neighbor to the west.

I feel privileged to be here today. I have had a long and abiding interest in human rights measures, because I did author the one that is the subject of this hearing today, section 701, dealing with multilateral lending institutions.

I wish I could be here under different circumstances, saying that the law had been adhered to, that we have made some progress. I am sorry I cannot say that, but I do think, Mr. Chairman, the very fact that these measures were passed with strong bipartisan support, and if you check the record, you will see that a broad spectrum of individuals in the House of Representatives voted for these measures on more than one occasion, and first, with the bilateral aid provisions in 1975, and then, with the multilateral aid provisions in 1977.

The fact that these laws have continued, that the Office of Human Rights Director in the State Department exists; that human rights has become institutionalized; that the Congress has repeatedly upheld these laws indicates that there is support for them on a strong bipartisan basis.

When this administration first came in, their first nominee for Administrator for the Human Rights Office in the State Department was an individual who said that all human rights laws ought to be eradicated from the books. But he was rejected by the President's own party in the Senate.

That gave some indication as to what direction the Congress wanted to go, so I have some mixed feelings. I am encouraged by the fact that now, almost approaching 8 years later, the laws are

on the books; that they, in fact, have been strengthened. Your predecessor on this subcommittee—and you were involved in this effort a couple of years ago Stan—changed a couple of the words in section 701 to clarify, and to strengthen it.

The fact that Congress, within the past 3 years, shows strength in section 701, that there is still strong support for it. I have a statement, Mr. Chairman, I would like to ask be submitted in the record.

Chairman LUNDINE. Without objection.

Senator HARKIN. I would like to first briefly discuss the legislative intent and history of 701. It instructs the U.S. Executive Director at each multilateral institution to oppose loans to governments that engage in a pattern of gross violations of internationally recognized human rights.

We should recall that the language of the present law only exists because the House rejected a conference report on a 1977 Multilateral Development Bank Authorization which lacked legal instructions to U.S. Executive Directors to oppose nonbasic human needs loans to repressive countries.

On that one issue, the conference report came back on that single issue alone, and Members of both parties joined together in the House to defeat the conference report and report it back with only one change, and that change was section 701.

That is very meaningful, showing there was really strong bipartisan support for it. We were not specific about countries, but we were specific about giving voting instructions.

Congress did not intend to give the Executive blanket authority to administer and interpret section 701.

For one, the Secretary of the Treasury is required to consult frequently and in a timely manner with Congress to inform them of changes in voting policy toward countries with poor human rights records.

I draw your attention to the last paragraph in section 701, which points that out, "he shall consult frequently and in a timely manner with Congress."

This consultation and reporting is to be both to the chairman and ranking minority members of this committee, and of this subcommittee, Mr. Chairman, so I would ask you and the ranking member rhetorically, How often you have been consulted by the Secretary of the Treasury as to the implementation of section 701, and how often have you been told of changes they have made in their voting patterns, to remain consistent with section 701?

I would submit probably not very often, but I don't know, but I don't think so. Even though we did not write into law a specific rule for determining whether a country engaged in a pattern of gross violations, we did have a set of commonsense guidelines.

Basically, what we used was the Declaration of Human Rights of the United Nations Charter, which meant violations against the physical integrity of the person. The operative words, of course, were a pattern of, violations of internationally recognized human rights such as torture, inhuman or degrading treatment, and it goes on.

Again, Mr. Chairman, we did not intend for these to be exclusive. These were not to the exclusion of other human rights consider-

ations, and the record is clear on that. They were meant only as sort of a bedrock.

This was sort of the bedrock. If you examine the deliberations leading to the U.N. Declaration of Human Rights, you will find that it was decided there that this language was sort of bedrock, to be extended to include other human rights considerations.

It was never meant to be exclusive. By gross violations, we meant they must be significant in their impact, and by a pattern, we meant that the abuses must be significant in the number and must be recurring, and not just incidental cases.

In short, we intended that governments practicing torture, arbitrary detention or summary execution on a significant scale should be denied U.S. support for nonbasic human needs loans. We did not intend to exempt a country from section 701 merely because of improvements in its human rights situation.

That argument is used all the time that you take the highest level of violations and you say, well, they may have tortured 300 people, but last month, they only tortured 299, so they made an improvement, so therefore, we can lift that. It was never our intention that mere improvement would be reason enough to exempt a country from 701.

Mr. Chairman, the Carter administration took some first steps, faltering, but took some first steps in implementing the law.

We had some problems with the Carter administration, to be sure, but again, I think the first steps were taken. Any time you strike out on a new course like this, there are going to be mistakes made, and I will hold that against no one, in trying to find the correct path in which to pursue the implementation of section 701.

I would just point out that, just two comparisons, and how section 701 has been implemented. Under the Carter administration, 118 loans to 30 countries were opposed. This administration has voted against loans to only three countries, Syria, South Yemen, and Angola, abstained on three loans to Chile and one loan to Guatemala.

There is quite a difference in just a few years. Again, in 1981, the Reagan administration announced, and the record will show without consulting this subcommittee, that it would no longer oppose on human rights grounds these loans for nonbasic human needs for the military Governments of Argentina, Chile, Paraguay, and Uruguay.

By not consulting with the chairman and ranking minority members of either this committee or this subcommittee, this was a violation of the law. I want to focus on the nation of Chile because you were right, Chile was the original focus of section 701.

Back in 1970, just after Allende came to office, loans made to the Government of Chile by these multilateral institutions decreased from 100 percent to nothing.

The Government was choked off from any kind of loans at all from these institutions. There is a record—on the White House tapes—where then-President Nixon, was saying he was going to make the economy scream in Chile by cutting off these loans. And it happened.

Many of us on both side of the aisle looked at this, concluded that there ought to be considerations other than whether you just

like or dislike a country, or what its politics might be, but there ought to be something that adheres to our most fundamental beliefs that we ought to use in deciding whether or not we are going to oppose loans in these multilateral banks.

Of course, what is fundamental to us is our respect for human rights. So Chile was the caldron for this concern prior to the enactment of these laws. Chile remains today the focus of how these laws are implemented, and it remains the focus, because there has not been any real significant change in the pattern of violations, gross violations, of human rights in Chile over the last several years.

The Pinochet government remains in power today, and remains absolutely opposed to any kind of opening that would significantly reduce its totalitarian or authoritarian power over the people of that country.

Last November, Pinochet instituted a state of siege lasting until June of this year. Although it was removed, the country remains in a state of emergency, which is similar to a state of siege.

During the first 6 months of this year, under the state of siege, the Chilean Human Rights Commission documented 29 violent deaths, 2,500 arrests, 260 cases of torture, and 77 cases of internal exile.

Since June, a shorter period of time, the same commission has documented 19 violent deaths, 3,000 arbitrary arrests, 297 cases of torture, and 65 cases of internal exile, hardly a significant change from what it was under the state of siege.

However, as soon as the state of siege was lifted, the administration decided to once again open the pipeline to Chile, and it happened within 2 days.

Before voting for a June 18, loan before the World Bank, the administration failed to either consult or even inform the appropriate committees of its intention to cease abstaining on multilateral loans to Chile.

Second, the administration cited improvement in the human rights situation just 2 days after the state of siege was lifted, hardly enough time to adequately assess any human rights improvements. I believe, Mr. Chairman, that this reversal of U.S. voting was in violation of section 701 for those reasons; there was no prior consultation, and second, there was insufficient time given to assess whether there was any meaningful changes or improvements.

Since that time, there have not been.

Third, the state of emergency now in effect gives General Pinochet most of the emergency powers he previously had under the state of siege.

Fourth, I repeat, section 701 does not cite alleged improvement as a cause for supporting loans to human rights violators.

Despite the administration's claims, the Chilean Government is still engaged in a recurring pattern of gross violation of human rights. I would just close by saying that in Chile, there has been a dramatic movement within the democratic opposition. In late August, leaders from 11 political groups signed a national accord to the transition to full democracy calling for the holding of early presidential elections.

Our State Department held this accord as positive, pragmatic, and forwardlooking. This administration could now assist the forces of democracy by backing its voice with its vote in multilateral banks.

For the past 5 years, this administration has claimed that it supports a transition to democracy in Chile. Yet, over that time, we have voted for over $2 billion in loans to the Pinochet government.

At the beginning of this first term, I believe that Chile was on the road toward transition to democracy, and yet, over the last several years, it has taken steps backward.

You must remember, Mr. Chairman, that Chile is the second oldest constitutional republic in this hemisphere. Their original Constitution was second oldest to that of the United States of America, and you ought to take a look at that Constitution. It is patterned after ours.

In fact, Bernard O'Higgins, who helped draft that Constitution, used ours as a basis for their own. In Chile, we are not talking about a country with no history of democracy.

Arguments can be made about other countries like Nicaragua, which really has no history of constitutional republicanism. But you cannot make that case on Chile.

Now is the time for this country to take the meaningful steps to support those democratic institutions in Chile, in returning to a transition. Just within the last couple of weeks, Mr. Chairman, somewhere between 200,000 and 500,000 people assembled in Santiago for a mass demonstration, and listened to one of the most eloquent speeches I have ever read by Gabriel Valdez, even though such assemblies and political parties are prohibited by law. Yet, they took that risk to go out and to show their support for this national accord signed by 11 different parties in Chile.

That is very significant. The opening is there. I believe the people of Chile want a transition back to democratic rule. As long as we continue to support the Pinochet government with our votes in multilateral institutions and continue to prop up Pinochet regardless of what we might say privately, he will continue in power, and he will continue to thwart the legitimate aspirations of the Chilean people to return to democracy.

We have that opening now, and, I think, your hearing is very timely. It is timely because of what is now happening in Chile with this national accord, the strong support of Archbishop Fresno.

If we take a backward step down, we may doom Chile to yet another 10 or 20 years of Pinochet totalitarianism.

Thank you for letting me testify and clarify the background of section 701 and how I believe it ought to be applied to Chile.

[The prepared statement of Senator Harkin follows:]

TESTIMONY OF SENATOR TOM HARKIN

HOUSE BANKING COMMITTEE

SUBCOMMITTEE ON INTERNATIONAL DEVELOPMENT INSTITUTIONS AND FINANCE

December 5, 1985

Mr. Chairman and Members of the Subcommittee: I appreciate the opportunity to appear before you today to talk about two issues which I have been deeply involved in over the past decade: U.S. policy toward Chile; and human rights law.

The first topic of my testimony is the legislative intent behind and executive enforcement of Section 701 of the International Financial Institutions Act of 1977. I have particular interest in this provision of the law since I introduced it as an amendment when it was approved by Congress eight years ago.

In the law as it stands, section 701(a) requires the United States Executive Director at each multilateral institution to use voice and vote to channel assistance toward countries other than those whose governments engage in a "pattern of gross violations of internationally recognized human rights, such as torture or cruel, inhumane or degrading treatment or punishment, prolonged detention without charges, or other flagrant denial to life, liberty, and security of person..." Subsection (f) provides that the U.S. Executive Directors are "authorized and instructed to oppose any loan, any extension of financial assistance, or any technical assistance to any country" described in subsection (a) unless "such

assistance is directed specifically to programs which serve the basic human needs of the citizens of such country."

I will now address the question of degree of executive flexibility permitted by Section 701, which I consider critical to an accurate assessment of whether the current Administration is carrying out the law as Congress intended it.

We should recall that the language of the present Section 701 only exists because a conference report on a 1977 Multilateral Development Bank (MDB) Authorization which had less stringent language was rejected on the floor of the House. Although it retained the original House-passed language (which resembles current law), the conference report added a prefacing phrase "where other means have proven ineffective." In addition, the President was authorized to waive the entire human rights provision if he "certifies that the cause of international human rights would be more effectively served by actions other than voting against such assistance."

On September 16, 1977, the House rejected this watered down version of the original Harkin amendment and mandated that U.S. executive directors in MDBs <u>oppose</u> loans to countries that are gross and consistent violators of internationally recognized human rights. The Senate concurred a month later.

Congress did grant the executive some flexibility in implementing the law. Section 701 allowed the U.S. to support loans even to a human rights violator if the project funded meets basic human needs, such as agricultural development, education, and sanitation.

Moreover, Congress has decided against designating specific countries as human rights violators, preferring to leave that authority to the executive. However, I want to emphasize the fact that we did not intend to give the executive blanket authority to administer Section 701. For one, the law requires the Secretary of Treasury to consult frequently and "in a timely manner" with Congress to inform them of changes in voting policy toward countries with poor human rights records.

Second, although Congress did not spell out a procedure for determining whether a country engaged in a "consistent pattern of gross violations of internationally recognized human rights," it did have a set of common sense guidelines in mind when it incorporated that language into law.

By violations of "internationally recognized human rights," Congress meant violations against the physical integrity of the person.

By "gross," such violations must be significant in their impact.

And by "pattern," the abuses must be significant in number of and must be recurring.

Thus, Congress intended that governments practicing torture, arbitrary detention or summary execution on a significant scale should be denied U.S. support for non-basic human needs loans. It did not intend to exempt a country from Section 701 merely because of improvements in its human rights situation if that government engaged in a recurring pattern of human rights violations.

Two years ago, this subcommittee attempted to tighten the original language of Section 701 and improve prospects for future

enforcement when it dropped the word "consistent" from the phrase "consistent pattern of gross violations". This amendment, which was signed into law in November 1983, was proposed to prevent the Administration from holding that any decrease from the highest level of violence experienced in a country meant that a "consistent pattern" no longer existed.

IMPLEMENTATION OF SECTION 701

I believe the Carter Administration did a commendable job of carrying out the intent of Section 701 and of integrating its votes in MDBs into the Administration's overall human rights policy.

Treasury Secretary Michael Blumenthal accurately summarized the Carter Administration's approach to Section 701, when before the the House Foreign Operations Subcommittee in 1979, he testified: "I think it is entirely appropriate for us to say that we are opposed to providing aid to a country that we feel is so egregious in its violation of how it treats its people that we simply cannot sit still without losing our influence."

The record also indicates that the Carter Administration was even-handed in opposing MDB loans. According to a study by the Washington-based Center for International Policy, from 1977 to 1980, the U.S. opposed 34% of all MDB loans requested by leftist regimes (including Laos, Cambodia, and the Central African Empire), while voting no or abstaining on 31% of loans requests by right-wing regimes (such as Chile, Argentina, Uruguay, Paraguay).

Under the current administration, enforcement of Section 701 has fallen far short of the intentions of Congress. At a July 1981 hearing by this subcommittee, Congressman John LaFalce offered a highly critical assessment of the Reagan human rights policy, which I believe holds true today:

> "...the shared perception is that at the highest levels of the State Department right now there is a lack of concern about human rights, or at least no desire to use human rights in any way...and certainly no more than is absolutely necessary according to legislation."

The Reagan administration demonstrated its aversion to Section 701, when in July 1981 it announced -- without adequately consulting this subcommittee -- that it would no longer oppose on human rights grounds MDB loans for non-basic human needs for the military governments of Argentina, Chile, Paraguay, and Uruguay. It showed further disregard for the intent of Congress later that year when it tried to justify its support for a loan funding rural telecommunications equipment for Guatemala on grounds that it fulfilled the basic human needs requirement of Section 701.

Since coming to office, this administration has settled into a pattern of opposing on human rights grounds loans to leftist governments with pro-Soviet leanings (Benin, Laos, Syria, Yemen, Angola, and Nicaragua), while seldom imposing sanctions on right-wing governments.

SECTION 701 AND LOANS TO CHILE

The Reagan administration's voting record on Chilean loan requests best exemplifies its disregard for the spirit and the letter of Section 701.

Less than five months after assuming office, the President announced that he would reverse the Carter administration's policy of opposing loans to Chile on human rights grounds. The reason for this change was as follows: although gross violations continued to occur in Chile, the scope of the violations changed and decreased from the high levels immediately following the 1973 coup that brought General Augusto Pinochet to power.

For the Reagan administration, improvement -- measured by a decline in numbers -- was sufficient to prove that a "consistent pattern" of gross violations no longer occurred in Chile.

Let me summarize the reasoning: Following the 1973 coup until 1977, thousands of Chileans were summarily killed, torture was routine, and nearly 5,000 were imprisoned by the Pinochet regime.

Although human rights violations decreased in 1977 and 1978, the situation soon deteriorated. Beginning in 1979, according to Amnesty International, the Chilean government practiced a consistent pattern of arbitrary detention, political imprisonment and killings and systematic torture.

By July 1981, there was clearly a systematic pattern of human rights violations in Chile. But it was not the same as in 1973.

For the Reagan administration that was enough to change its vote on loans to Chile.

Under President Carter, MDB assistance to Chile was reduced to a trickle. After Congress approved Section 701 in 1977, the Carter administration opposed eight loans made by the World Bank and the Inter-American Development Bank to Chile. From 1977 to the end of 1980, Chile received a total of only $208 million from international financial institutions. Rather than face rejection by the MDBs, the Pinochet government withdrew from consideration loan requests totalling an estimated half a billion dollars.

Both U.S. voting policy in the MDBs and the lending policies of these institutions shifted dramatically in Chile's favor under the Reagan administration. From July 1981 to February 1985, the U.S. approved 14 loans to Chile, totalling more than $1 billion.

The only hiatus in the current administration's support for Chile occurred in the spring of this year when it abstained on one IDB and two World Bank loans to the Pinochet government. These abstentions were in response to the deteriorating human rights situation in Chile following imposition of the state of seige by General Pinochet.

The administration's disapproval was short-lived. Since the state of siege was lifted, a virtual flood of multilateral aid has gone to the Pinochet regime. From June 18, when the U.S. voted for a $55 million World Bank loan to today, we pproved Chilean loan requests totalling $752 million.

This assistance has been essential in Chile's efforts to restructure its $18.8 billion foreign debt, with $6 billion of that debt falling due this year. In the past 6 months, with World Bank loans and US support, the Pinochet government took a major step toward rolling over that debt.

The cause of democracy and non-violent political change received little in return.

I strongly believe that this recent reversal of U.S. voting in MDBs for loans to Chile was in violation of Section 701.

First, Section 701(g)(2) requires prior consultation with the appropriate congressional oversight committees in the event of "prospective changes in policy direction toward countries which have or recently have had poor human rights records." Yet, before voting for a June 18 loan before the World Bank, the administration failed to either consult or even inform the appropriate committees of its intention to cease abstaining on multilateral loans to Chile.

Second, the administration cited improvement in the human rights situation following the lifting of the state of siege. Yet this determination was made just two days after the state of siege was lifted, hardly enough time to adequately assess the Chilean human rights situation.

Third, the state of emergency now in effect in Chile gives General Pinochet most of the emergency powers he previously had under the seven-month state of siege.

Fourth, Section 701 does not cite alleged "improvement" as cause for supporting loans to human rights violators.

Events since June indicate that the Chilean government is still engaged in a recurring pattern of gross violations of human rights. In fact, statistics from the Chilean Commission on Human Rights fail to show human rights improvement since the lifting of the state of siege. In the first six months of this year, the Commission documented 29 violent deaths, 2,565 arrests, 260 cases of torture and inhumane treatment, and 77 administrative relegations. In the three months since the state of siege was lifted, there have been 19 violent deaths, over 3000 arrests, 297 cases of torture and inhumane treatment, and 65 administrative relegations.

SECTION 701 AND FUTURE U.S. CHILE POLICY

Recently, there has been dramatic movement within the democratic opposition in Chile. In late August, with the blessing of Archbishop Juan Francisco Fresno Larrain, leaders from eleven conservative to left-of-center parties signed a National Accord for the Transition to Full Democracy, agreeing to work together for direct presidential and congressional elections in 1989.

Our State Department has hailed the Accord as "positive, pragmatic and forward-looking."

The Reagan administration could best assist the forces of democracy by backing its voice with its votes in multilateral development banks.

For the past five years, the Reagan Administration has claimed that it supports a transition to democracy in Chile, yet over that time the United States voted for over two billion dollars in loans to the Pinochet government. President Reagan's reversal of the Carter Administration's opposition to Chilean loans has been part of a policy of "quiet diplomacy."

Despite all the Administration's good intentions, General Pinochet has used "quiet diplomacy" to his advantage: He has treated President Reagan's policy as a show of U.S. support, while lending a deaf ear to any private U.S. criticism of his regime.

If the United States is serious about promoting democracy and protecting human rights in Chile, it must make a decisive change in a policy that so far has been ambiguous and unproductive. The United States must show not only that it is serious about promoting democracy in Chile but that it is no longer willing to appear complicit in Pinochet's repression.

I believe we should use both diplomatic and economic means to pressure Pinochet to open the political process in Chile, which would permit Chileans to express their opposition and organize themselves for a democratic transition.

The U.S. has the leverage to prevent further repression by the Pinochet government. It only needs the will to use it.

The one point of leverage we have is Chile's $18.8 billion foreign debt, one of the largest per capita in the world, and its continuing need for financing from multilateral institutions like the World Bank and the Inter-American Development Bank. Though the

U.S. and the banks helped Chile roll over its debt in the past six months, in coming months and years larger maturities will fall due.

The United States should use its votes in multilateral banks -- in compliance with Section 701 -- to apply discreet but significant pressure on the Pinochet government to exact the changes necessary to ensure a political opening in Chile.

Earlier this year, Secretary of State George Shultz stated, "If we abandon those seeking democracy, the extremists will gain and the forces of moderation and decency will be the victims." In 1977, I proposed an amendment to an MDB funding bill to align US votes in multilateral institutions with our overall human rights policy, and to firmly commit our foreign policy to the promotion of human rights and democracy in the developing world.

That amendment is now law -- Section 701 of the International Financial Institutions Act of 1977.

Section 701 need not be at cross-purposes with the stated objectives of this Administration. If it is truly our goal to aid the forces of "moderation and decency," then enforcement of Section 701 ought to be an integral part of our foreign policy.

The United States must delay no further in using its votes in MDBs to place itself squarely behind the ending of repression and the revival of political freedom in Chile.

The Chilean democratic opposition desperately needs such a policy.

Our nation's long history of support for human rights and democracy demand that policy.

Chairman LUNDINE. I am going to break with my tradition and ask a question first, because I don't want to be precluded from asking the question.

The charter of the Inter-American Development Bank directs that only economic criteria be used for loan requests. Don't you think when we bring political criteria such as human rights to bear on our voting patterns, that it is perfectly predictable that other countries will use their own political criteria to determine their votes on assistance, and do you think that this is appropriate?

Senator HARKIN. This is a question that has been raised before, and I have wrestled with it, too. We discussed back in the midseventies, when we were passing this legislation, and I guess I see the consideration of human rights as something parallel to, but not necessarily subsumed under, the heading of political considerations.

That doesn't mean all human rights, but at least these bedrock human rights. I have often talked about human rights as a very broad spectrum encompassing a lot of things. There are human rights that we believe in very firmly in this country, rights that deal with the integrity of the individual—whether any government or any person running a government can exercise over an individual absolute authority over the life and death of an individual without due process whether any government can arbitrarily torture any individual or to detain an individual or to make an individual disappear. These rights transcend politics or political considerations.

I do not care whether you are an American citizen living in New York or Omaha, NE, or you are a poor peasant living in the hills of Paraguay or Uruguay or Pakistan or an Iranian or a citizen of the Soviet Union, if you ask just one question to any one of those individuals: Do you believe that your government ought to have the unlimited right to put you to death, to torture you, to make you disappear or to detain you for however long they want to; do you think your government ought to have that right?

Mr. Chairman, the answer universally would be no, so, I think it transcends politics.

Second, as monetary decisions made by these lending institutions are always going to have political repercussions. I didn't say that they were political decisions, but I am saying the economic decisions will always have political repercussions.

I talked about this very topic, 8 years ago, when I gave the example of a lending institution loaning money to a country but requiring that it institute certain measures, meet its balance of payments to get this loan and institute certain measures to make sure that these loans are made at the time I asked: How does the regime enforce such fiscal policies?

By repression, union busting, mass arrests, murder, torture, detention without charge. Thus the way in which foreign policy has been molded by the international public and private banking community in our name with our money and largely without accountability is not divorced from the question of human rights.

We must begin to understand and acknowledge precisely what role these institutions have played in bolstering regimes who have the honorable intention of repaying international debts by any

means necessary, including the destruction of legal and political institutions, and all the violations of human rights which you have just mentioned.

I do not think it is enough to say that you are just going to make an economic consideration. I believe these lending institutions still ought to make the decisions based upon the economic situation as it is, based upon only economic considerations, but in carrying those out, you have to ask what will be the impact on individual human rights, these bedrock human rights in those countries, and let that county know that, yes, you will get the loan, but this section applies.

Chairman LUNDINE. Frankly, this is a philosophical question that I may decide to hold further hearings to explore in greater depth than we would be able to today on that issue, but I appreciate your answer. It has been very responsive to a very general question.

Mr. Bereuter.

Mr. BEREUTER. I want to commend the gentleman from Iowa for a very effective presentation on his convictions and the historical perspective on what has happened in Chile, and the background on legislative intent is very helpful as we start perhaps a series of hearings on this subject.

I have no questions.

Senator HARKIN. I know of your longstanding support for human rights legislation, and I appreciate that very much, too.

Mr. BEREUTER. Thank you.

Chairman LUNDINE. Mr. Kolbe.

Mr. KOLBE. No questions.

Chairman LUNDINE. Mr. Levin.

Mr. LEVIN. Welcome back, Senator, and especially because it is in the setting of an issue so important and where you have been in the vanguard.

Let me, if I might, let me try to join the issue between yourself and Mr. Abrams. He will be here later. Did you receive a copy of his testimony?

Senator HARKIN. I have not yet.

Mr. LEVIN. Let me read a portion of it, and in light of your discussion of what the statute is, because the executive is supposed to be operating within the legal framework that has been enacted.

On page 2, Mr. Abrams says the human rights situation in Chile still causes serious concern, although positive changes have occurred since June, when the state of siege was lifted, leaving in effect less severe restrictions and constitutional protections under a state of emergency, so he is saying in essence there are still serious violations, but there have been some positive changes, and through his testimony, there is reference to transition.

Earlier, he talks about on page 1, we consider it reasonable to expect to see tangible evidence of steady movement toward a transition to civilian rule, and then later on, he talks about the economic situation, and how critical the macropicture is, and the reason for these loans; that is the reason.

He talks about our actions, which are most helpful to the degree that we support the flexible resolution of the deep-seated differences in Chile which is at the end, so, I think, it is fair to charac-

terize Mr. Abram's testimony, quoting from it, arguing that things are better, maybe a bit better, somewhat better; that this is part of a transition; that we have to be supportive of flexible resolutions, and I would like you, if you might, to comment on how you think that description fits into the statutory framework that they are supposed to be living with; and, No. 2, whether you think it is an accurate description of what is going on in Chile today.

You have already covered the statutory framework, but not in reference to the testimony which will join the issue here.

Senator HARKIN. Did you come in after I pointed out what happened in the first 6 months versus the last 6 months?

Mr. LEVIN. I think I was here, but take the first point first about the argument; what is the appropriate standard here, the meaning of the statute?

Mr. Abrams is going to be arguing that it is better, and so that is enough. That is my characterization, but that is what he is saying, I think. There has to be a transition, and he is arguing that there is one, and comment, if you would on his evidence.

Senator HARKIN. I repeat for emphasis sake that we did not intend that you could abrogate 701 by citing some improvement.

The question that he ought to be asking is compared to what? Is Chile better today than it was immediately after the coup? Of course it is.

That was the highest or the lowest level, however you look at it, violations in that country in 150 years. You may say, yes, it is better, but the question which has to be asked, is there still a pattern of gross violations, of internationally recognized human rights that deal with the integrity of the individual which will prevent any kind of meaningful opening for democratic transition in that country, and the answer is yes, that pattern is still there.

I pointed out what the Chilean Human Rights Commission had documented human rights under the state of siege, and what has happened since. There has been no real improvement, cases of some minor improvements here and there, but no real marked difference at all. You have to ask the question compared to what? Also, don't be misled by this lifting of the state of siege.

Certainly a couple of different things were done. A few newspapers were allowed, to publish, whereas under the state of siege, absolutely no freedom of the press was allowed. There was no freedom television, no electronic freedom in Chile for television or radio. Now, Chileans live under three other states of exception: The state of emergency, the state of risk of disturbance to internal peace, and a state of catastrophe. These emergency powers permit the Government to hold prisoners in detention centers, detain people without charges for up to 20 days, restrict freedom of assembly and information, expel or exclude from Chile anyone it chooses, and internally banish individuals for 90 days without any trial or right of appeal. That exists today there.

Also political parties, these 11 parties that have come together to sign this internal accord, now exist underground, outside of the law. The current law does not permit political parties to exist in Chile. How can you have a transition when that is hanging over your head.

So when he talks about improvement, you have to ask compared to what, and what is the state of the situation right now?

The second part was how do we use 701.

Mr. LEVIN. You have answered both questions, what is the standard, and second, what the facts are that you apply against that standard. I think you have eloquently touched on both points.

Senator HARKIN. I wanted to clarify, one point. Many people think lifting of the state of siege means things are great. Not so at all. That dark cloud of the Pinochet, and the various decrees he has used since he came into power in 1973, are still there.

Mr. LEVIN. Thank you very much.

Chairman LUNDINE. Mr. Torres.

Mr. TORRES. Thank you, Mr. Chairman. I would like to echo the comments of my colleagues in welcoming you back to our confines here, Senator.

We have had these kinds of discussions before relative to this particular issue primarily with State Department officials and Treasury officials and sometimes I get the impression from State Department people that section 701 is ignored because there is a feeling that it is impossible to conduct diplomacy without violating section 701. There is a sense that in addition to the human rights considerations it lists such as torture, more items like press freedom trade-union rights and other items should be considered as well.

I was in Chile a year ago this month, and I can attest to what you have testified to; that the situation under the siege was intolerable, and now that it has been lifted, nothing has really changed for the better. Yet, there has never been a proposal before this subcommittee that I know of that would modify section 701 to make it more enforceable. I ask you as the framer, the author of the Harkin amendment, why isn't section 701 enforced? What do you perceive to be the reason why, and how can we make it more enforceable?

Senator HARKIN. Congressman Torres, that is a tough question, a very tough question.

Most laws that we pass here rely to a certain degree on the good will and good intentions of the executive branch of Government to carry out the intentions of Congress. We have seen time and time again, this administration, and other administrations which have tried to thwart the will of Congress by not carrying out with good will and in common sense what the intention of Congress has been.

The courts on many occasions have declined to enter this thicket. They have said that Congress has the ability to deal with this failure of the excutive to administer the law.

I demur from that. At some point in the future the third branch of Government will be stepping in on some of these things. Because if we pass a law that says the executive is supposed to do something and it des not do it, what are we supposed to do? Pass another law and say do it anyway? I mean how often do you go back, and forth?

I suppose you could cutoff funds but then it will get funds from elsewhere. The enforcement of 701 has to come from two places: the executive branch and the Congress. What you are doing here today, along with the other oversight hearings that have been held

by this subcommittee in the past, are an important part of that process to call to account those who are charged with the responsibility of carrying out that law and ask them to account for it.

You are right that there are other human rights considerations. We didn't include freedom of assembly, freedom of speech, labor unions, that kind of thing. We only wanted to cover the bedrock human rights, those things that are universally recognized.

Mr. TORRES. Death, torture, disappearance?

Senator HARKIN. Right, you might ask an individual in some county whether or not they ought to have the right to print whatever they want to, they would say, no. You ask them do you think the Government ought to have the right to be able to torture you, and they will all say no. So to write into law anything beyond those universally recognized human rights that are spelled out in the declaration of human rights in the U.N. Charter is to really open a can of worms.

I am not saying that we shouldn't take those other rights into consideration, but I don't think it should be spelled out. Can I read this one paragraph of the Secretary's testimony. On paragraph 1, toward the end of the page, Mr. Abrams says, "While the vast majority of Chileans want to return to democratic government, there is considerable difference of opinion within Chile over the timing and procedure concerning a transition to democracy."

I don't know how he can say that. I don't think there is a difference of opinion when you have 11 different parties that represent everything from conservative to the left of center joining in this accord. There is only a difference of opinion between them and Pinochet.

I don't know if I have answered your question, but common sense, the continuing oversight by this subcommittee and the full committee as to how it is being carried out, are the steps you have to take.

Mr. TORRES. I appreciate your answer, Senator. Thank you very much.

Chairman LUNDINE. Thank you very much, Senator Harkin.

Mr. McCandless.

Mr. MCCANDLESS. I would like to also join my colleagues in welcoming you back to the low-rent district of the Capitol. I apologize for not being here for the opening comments you made, and I have had an opportunity to read your presentation, and I need to share with you a couple of thoughts—the implementation or lack thereof of section 701 as it applies in everyday life, and particularly as the executive branch is applying it, and second, your direct concern about the relationship that that has and how we apply it to the sovereign Government of Chile.

Why have we singled out Chile when we have any number of equally demonstrable violations of human rights? And I am not an advocate of torture or anything like that, but we need to be consistent in our approach, but I do not know that this is the message that was coming across.

Why are we singling out Chile today?

Senator HARKIN. First of all, I don't think we are really singling out Chile. It just happens to be a country whose requests for loans are on the frontburner, and a country where there has been a long

history of democratic constitutional democracy in Chile for a long time. This is also a great ground of support in that country to return to that constitutional frame of government. I believe the administration of 701 ought to be evenhanded, despite the problems I had with the the Carter administration, its implementation of the law was somewhat evenhanded.

According to a study conducted by the Center for International Policy, under the Carter administration, no votes or abstentions on loans to leftist and rightist countries were pretty even, and what they listed as leftist countries was 34 percent, and rightist countries was 31 percent in terms of no votes and abstentions.

Under this administration, the no votes under leftist countries, 31 percent, but rightist countries only 23 percent, so there has been a great shift in that. Chile was the caldron for this in the beginning. Earlier on, because of its long history of constitutional government, because of what has happened down there recently, we have a unique point in time where we can be very instrumental in helping the people of Chile return to a constitutional form of government, and guaranteed freedoms by the application of 701, in accordance with the intent of Congress when it passed that.

Mr. McCANDLESS. For purposes of our discussion only, to get a reflection on the thought processes you are sharing with me, what about Poland?

Senator HARKIN. Excuse me.

We have a certain parallel there, Poland did have a democracy going longer than the one you are presenting to me as the history of Chile. I am wondering how we apply this standard to, say, Poland.

Senator HARKIN. Poland is not a World Bank member. They don't get loans.

Mr. McCANDLESS. There are a number of their neighbors that do. Hungary is a member of the World Bank; isn't it?

Senator HARKIN. We have been abstaining on loans to Angola, Benin, Laos, Paraguay, Yemen, Syria. I am not aware of any loans to Hungary.

Mr. McCANDLESS. The other point, if I would like to ask, if I may, page 2 of your testimony, you talk about the fact that since coming to office this administration has been settled into a pattern of imposing on human rights grounds on leftist governments. You deal with the background of the flexibility of the implementation of the law in the last paragraph, and to quote your statement, "Section 701 allows the United States to support loans even to a human rights violator if ***" and then you go on to talk about projects funded for human needs, agriculture development, education, and sanitation.

How do you separate out those particular subjects for a loan from subjects that would deal with the industrialization or improving the transportation of the country which would also appear to me to focus in on the same economic characteristics that these others represent.

Senator HARKIN. At the time that 701 was being drafted and during debate at that time, a lot of discussion was held that the people in these poorer countries should not be held to blame for what their governments were doing, so, some of these loans that

did go directly to meet such certain basic human needs as food, shelter, clothing, and milk, were permitted under section 701.

Mr. MCCANDLESS. Doesn't that support a totalitarian regime, to keep it in power, by seeing the basic needs of humans?

Senator HARKIN. If you believe in the conflict theory of evolution, I suppose you could say that is probably true. If you withheld everything, the internal situation would blow up and bring down the Government.

As to whether industrialization projects fulfill the BHN criterion. If you build an industrial project, it might help people. But by the time it trickles down, it doesn't help them that much, and in most cases, and in many of these countries, rightist or leftist, these kinds of projects, industrial power projects, for example, are either, (a) owned by the government, or, (b) owned by the individuals who might be in power. And the skimming that takes place is incredible.

Mr. MCCANDLESS. The distribution of food is used as a political instrument to bring about compliance?

Senator HARKIN. Unfortunately that is true.

Mr. MCCANDLESS. It is not a perfect world, is it?

Senator HARKIN. It is not perfect. That is why it depends upon good law.

Chairman LUNDINE. Thank you very much, Senator. At this point, I would like to ask that the statement of Congressman Gus Yatron appear in the record.

[The statement of Congressman Yatron follows:]

Statement of Hon. Gus Yatron

I WELCOME THIS OPPORTUNITY TO SUBMIT A STATEMENT FOR THE RECORD AND WANT TO COMMEND YOU, MR. CHAIRMAN, FOR YOUR INITIATIVE AND LEADERSHIP REGARDING HUMAN RIGHTS AND MULTILATERAL DEVELOPMENT BANK LOANS.

THE SUBCOMMITTEE ON HUMAN RIGHTS AND INTERNATIONAL ORGANIZATIONS, WHICH I CHAIR, HAS A PROFOUND INTEREST IN ENSURING THAT U.S. REPRESENTATIVES TO MULTILATERAL DEVELOPMENT BANKS ADHERE TO SECTION 701 OF THE INTERNATIONAL FINANCIAL INSTITUTIONS ACT OF 1977 AND ADVANCE THE CAUSE OF HUMAN RIGHTS. DURING HUMAN RIGHTS HEARINGS AND INVESTIGATIONS, THE SUBCOMMITTEE CLOSELY REVIEWS U.S. POLICY REGARDING M.D.B. LOANS. SECTION 701 IS AN IMPORTANT INSTRUMENT IN THE U.S. HUMAN RIGHTS POLICY, AND THE SUBCOMMITTEE ENDEAVORS TO ENSURE IT REMAINS EFFECTIVE AND IS APPLIED IN AN EVEN-HANDED MANNER.

THE TREND TOWARD DEMOCRACY CONTINUES TO SWEEP ACROSS LATIN AMERICA AS EVIDENCED BY ELECTIONS OVER THE LAST SEVERAL YEARS IN ARGENTINA, BRAZIL, URUGUAY, PANAMA, EL SALVADOR, BOLIVIA, COLOMBIA, PERU, VENEZUELA, ECUADOR, HONDURAS, GUATEMALA, AND MEXICO. SOME OF THESE COUNTRIES ARE AT MORE ADVANCED STAGES OF DEMOCRACY. OTHERS, SUCH AS GUATEMALA, ARE TAKING ONLY THE RUDIMENTARY STEPS AND HAVE A LONG WAY TO GO BEFORE ANY TRANSITION TO ELECTED GOVERNMENT CAN BE JUDGED CREDIBLE. THERE WAS ALSO AN UNFORTUNATELY, SETBACK IN PANAMA RECENTLY. THE IMPORTANT POINT REMAINS THAT THE CHANGE IN POLITICAL CLIMATE IN MANY OF THESE NATIONS IS A DIRECT RESULT OF CONGRESSIONALLY-MANDATED U.S. POLICIES, SUCH AS SECTION 701, WHICH PLACED AN EMPHASIS ON HUMAN RIGHTS AND DEMOCRACY.

CLEARLY, DEMOCRACY IS ONE OF THE BEST GUARANTORS OF HUMAN RIGHTS AND DEFENSES AGAINST SOVIET EXPANSIONISM. IT IS OBVIOUSLY IN THE U.S. INTEREST TO FACILITATE, ENCOURAGE, AND ASSIST IN THE ESTABLISHMENT OF STABLE AND PERMANENT DEMOCRATIC INSTITUTIONS IN THE COUNTRIES TO OUR SOUTH. BECAUSE LATIN AMERICA HAS HAD A TURBULENT POLITICAL HISTORY DUE TO ECONOMIC BLIGHT, FOREIGN MACHINATIONS, AND [redacted] AMERICAN INDIFFERENCE, WE HAVE AN OBLIGATION, AND A MOST DIFFICULT ONE AT THAT, TO NURTURE LATIN AMERICA'S MOVEMENT TOWARD AN OPEN POLITICAL ENVIRONMENT, RESPECTING FUNDAMENTAL FREEDOMS AND LIBERTIES AS PRESCRIBED IN THE UNIVERSAL DECLARATION OF HUMAN RIGHTS.

CHILE HAS BEEN A PARTICULAR CONCERN OF THE SUBCOMMITTEE BECAUSE DEMOCRATIC TRENDS HAVE ELUDED THIS IMPORTANT NATION. IN FACT, THERE IS A SUBSTANTIAL BODY OF EVIDENCE INDICATING THAT THE HUMAN RIGHTS SITUATION IS DETERIORATING. AT ONE POINT, THEN-ASSISTANT SECRETARY OF STATE FOR HUMAN RIGHTS, ELLIOTT ABRAMS, WHO IS CURRENTLY THE ASSISTANT SECRETARY FOR INTER-AMERICAN AFFAIRS AND IS TESTIFYING AT THESE HEARINGS, CHARACTERIZED CHILE AS THE "GREATEST DISAPPOINTMENT" IN THE WESTERN HEMISPHERE.

ON MARCH 20 OF THIS YEAR, THE SUBCOMMITTEE ON HUMAN RIGHTS AND INTERNATIONAL ORGANIZATIONS CONDUCTED A HEARING ON HUMAN RIGHTS IN CHILE. WITNESSES FROM SEVERAL RESPECTED, CREDIBLE, AND KNOWLEDGEABLE HUMAN RIGHTS ORGANIZATIONS DOCUMENTED ABUSES INCLUDING THE FOLLOWING: AN INCREASE IN POLITICALLY-MOTIVATED KILLINGS (DEATH UNDER TORTURE, AND AS A RESULT OF ACTIONS TAKEN BY THE GOVERNMENT AGAINST PROTEST DEMONSTRATIONS); DISAPPEARANCES; AN INCREASE IN MASS DETENTIONS, ARRESTS AND EXILE WITHOUT TRIAL; TORTURE AND CRUEL, INHUMANE AND DEGRADING PUNISHMENT OR TREATMENT; THREATS AND INTIMIDATION OF DISSIDENTS AND HUMAN RIGHTS DEFENDERS AND MONITORS; AND, COMPREHENSIVE RESTRICTIONS ON FUNDAMENTAL FREEDOMS OF PRESS, SPEECH, PEACEFUL ASSEMBLY, ASSOCIATION, MOVEMENT AND PARTICIPATION IN PUBLIC AFFAIRS. EARLIER THIS YEAR, THE PRESS WAS FULL OF REPORTS OF CHILEAN SECURITY FORCES ROUNDING UP THOUSANDS OF POOR PEASANTS AND HERDING THEM TOGETHER LIKE CATTLE ON SUSPICION OF TERRORIST SYMPATHIES. IN

ADDITION, THE CHURCH IS INCREASINGLY BECOMING THE FOCUS OF ATTACK BY THE GOVERNMENT FOR ITS ROLE IN PURSUING CHANGE AND PROVIDING SUCCOR FOR THE POOR. MOREOVER, SECURITY AND MILITARY PERSONNEL ARE RARELY PUNISHED FOR THEIR ABUSES. THE STATE DEPARTMENT'S HUMAN RIGHTS COUNTRY REPORTS REGARDING CHILE IS, IN GENERAL, CONSISTENT WITH THESE FINDINGS. THESE VIOLATIONS ARE NOT JUST ISOLATED INCIDENTS, BUT OCCUR WITH ALARMING REGULARITY AND INTENSITY.

WHILE THE CHILEAN CONSTITUTION PROVIDES CERTAIN GUARANTEES, THE GOVERNMENT RETAINS SIGNIFICANT DISCRETIONARY AUTHORITY UNDER FOUR STATES OF EXCEPTION: THE STATE OF DANGER OF DISTURBANCE OF INTERNAL PEACE; THE STATE OF EMERGENCY; THE STATE OF SIEGE; AND, THE STATE OF ALARM. EACH STATE PROVIDES THE GOVERNMENT WITH INCREASED POWER TO ABROGATE BASIC FREEDOMS. IN JUNE OF THIS YEAR, THE CHILEAN GOVERNMENT LIFTED THE STATE OF SIEGE, BUT HAS RENEWED THE STATES OF DANGER AND EMERGENCY, RETAINING AMPLE AUTHORITY TO DENY BASIC HUMAN RIGHTS.

THE PINOCHET REGIME MAINTAINS THAT THESE STEPS ARE NECESSARY TO COMBAT A GROWING COMMUIST THREAT. INDEED, THERE IS EVIDENCE INDICATING AN INCREASE IN TERRORIST ACTIVITY IN CHILE. HOWEVER, THE JUNTA'S RESPONSE TO THE THREAT NOT ONLY GREATLY EXCEEDS WHAT IS REASONABLY REQUIRED, BUT IS ACTUALLY CONTRIBUTING TO GREATER VIOLENCE. THE GOVERNMENT'S ACTIONS ARE RADICALIZING A PEACEFUL AND MODERATE PEOPLE, WHO ARE PATIENTLY PURSUING A VARIETY OF RESPONSIBLE APPROACHES TO PARTICIPATE IN THEIR GOVERNMENT.

WHILE THE PINOCHET REGIME TAKES AN OCCASIONAL POSITIVE STEP, THE OVERALL HUMAN RIGHTS PICTURE REMAINS BLEAK AND, AT BEST, UNIMPROVING. THE CONTINUATION OF SUCH CONDITIONS IN CHILE REPRESENT TO SOME DEGREE A FAILURE OF U.S. POLICY. WE SHOULD BE MORE ACTIVE IN PROMOTING A PEACEFUL TRANSITION TOWARD DEMOCRACY, AND MORE VOCAL IN OUR CONDEMNATION OF SERIOUS HUMAN RIGHTS VIOLATIONS.

ON FEBRUARY 7 AND MARCH 14, THE ADMINISTRATION ABSTAINED ON BANK LOANS FOR CHILE. BUT, IN TESTIMONY BEFORE THE SUBCOMMITTEE, THE STATE DEPARTMENT WITNESSES REFUSED TO INDICATE THE DEGREE TO WHICH HUMAN RIGHTS CONDITIONS CONTRIBUTED TO THE U.S. VOTE. CLEARLY, IF SECTION 701 IS TO HAVE THE EFFECT CONGRESS INTENDED, IT MUST BE APPLIED OPENLY AND WHEN THE SITUATION WARRANTS. THE LANGUAGE OF THE LAW IS CLEAR: THE UNITED STATES EXECUTIVE DIRECTORS OF THE BANKS ARE AUTHORIZED AND INSTRUCTED TO OPPOSE ANY LOAN, EXTENSION OF FINANCIAL ASSISTANCE OR TECHNICAL ASSISTANCE TO COUNTRIES ENGAGING IN A CONSISTENT PATTERN OF GROSS VIOLATIONS OF INTERNATIONALLY-RECOGNIZED HUMAN RIGHTS. IT IS UNFORTUNATE THAT CHILE CONTINUES TO MEET THIS CRITERIA. IT IS ALSO UNFORTUNATE THAT THE ADMINISTRATION HAS NOT APPLIED THE LAW IN A CONSISTENT, UNAMBIGUOUS MANNER.

MR. CHAIRMAN, IN ADDITION TO A MORE AGGRESSIVE STAND ON M.D.B. LOANS, THERE ARE A NUMBER OF STEPS THE EXECUTIVE BRANCH COULD TAKE TO FORWARD THE PROCESS OF DEMOCRACY AND REDUCE HUMAN RIGHTS ABUSES IN CHILE, INCLUDING: ENHANCED INFORMATION GATHERING AND DISSEMINATION OF HUMAN RIGHTS ABUSES IN CHILE, GREATER SUPPORT FOR CONGRESSIONAL RESOLUTIONS ON THIS SUBJECT, A MORE ACTIVE ROLE IN INTERNATIONAL ORGANIZATIONS AND COMMUNITY, INCREASED SUPPORT FROM THE NATIONAL ENDOWMENT FOR DEMOCRACY FOR PROJECTS PROMOTING DEMOCRACY, HIGHER VISIBILITY OF THE U.S. EMBASSY IN CHILE IN PROTESTING HUMAN RIGHTS ABUSES AND IN VISITING IMPORTANT HUMAN RIGHTS FUNCTIONS. THESE ARE ONLY SOME OF THE MORE OBVIOUS MEASURES WHICH COULD BE PURSUED TO IMPROVE THE SITUATION IN CHILE. THERE REMAIN MANY OTHERS, BUT TIME DOES NOT PERMIT ME TO ENUMERATE THEM HERE.

MR. CHAIRMAN, ONCE AGAIN, LET ME TAKE THIS OPPORTUNITY TO COMMEND YOU FOR HOLDING THESE HEARINGS. I KNOW THAT THEY WILL HAVE A POSITIVE IMPACT. I STAND READY TO COOPERATE WITH YOU IN ANY WAY TO ENSURE THAT HUMAN RIGHTS CONSIDERATIONS REMAIN AN IMPORTANT FACTOR IN U.S. POLICY REGARDING M.D.B. LOANS, AS CONGRESS INTENDED IN PASSING SECTION 701 OF THE INTERNATIONAL FINANCIAL INSTITUTION ACT OF 1977.

Chairman LUNDINE. I would like to ask unanimous consent that a "Report on the Situation of Human Rights in Chile" by the Organization of American States, and an article, "Democracy and Double Standards: the View From Chile" in the World Policy Journal, fall 1985, appear in the record. Without objection that will be included in the record, and we will take a short recess, approximately 15 minutes.

Chairman LUNDINE. We will then hear from Assistant Secretary of State for Inter-American Affairs, Elliott Abrams and Deputy Assistant Secretary of the Treasury for Developing Nations, James Conrow to review these matters.

Senator HARKIN. Thank you for inviting me to testify today.

[Recess.]

[The report and article referred to follow:]

ORGANIZATION OF AMERICAN STATES

OAS/Ser.L/V/II.66
Doc. 17
September 27, 1985
Original: Spanish

REPORT ON THE SITUATION OF HUMAN RIGHTS IN CHILE

GENERAL SECRETARIAT
ORGANIZATION OF AMERICAN STATES
WASHINGTON, D.C. 20006
1985

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56-612 O - 86 - 2

RESOLUTION CONCERNING THE REPORT ON THE SITUATION
OF HUMAN RIGHTS IN CHILE
October 2, 1985

THE INTER-AMERICAN COMMISSION ON HUAMAN RIGHTS,

WHEREAS:

The Commission provisionally approved on July 1, 1985 its Report on the Situation of Human Rights in Chile (OEA/Ser.L/V/II/66, doc. 17).

That the Report was sent to the Government of Chile on July 3, in order for that Government to submit any observations said Report may warrant.

That the Government of Chile decided not to acknowledge said Report citing procedural objections which were duly examined by the Commission.

That, subsequent to the provisional approval of this Report, events of public notoriety occurred in Chile which, in the opinion of the Commission, warrant inclusion in said Report.

RESOLVES:

1. To adopt the present Report, the text of which is enclosed with this resolution;

2. To submit this Report to the Government of Chile so that it may formulate whatever observations it deems pertinent thereon to the General Assembly of the Organization of American States;

3. To send this Report, through the Secretary General of the Organization, to the General Assembly, pursuant to Article 52, paragraph f of the Charter of the Organization of American States, and

4. To publish this Report.

CONCLUSIONS

The account given in this report permits the Commission to draw the following conclusions:

1. In the period that began on September 11, 1973, one can observe a marked concentration of powers in the Government Junta of Chile, and especially in the Presidenby, in which is vested the exercise of the constituent, legislative, and executive powers, without any control or constitutional accountability. This fundamental characteristic of the structure of the Chilean State is formalized in the provisions of the 1980 Constitution.

2. One can also observe in the period covered by this report certain advances made at the normative level in defining and recognizing certain human rights--as in the case of personal freedom and the inclusion of the right to health in the Constitution--as well as the institution of new remedies for protecting those rights--such as the appeal complaint and the remedy of preventive amparo. However, the Commission must point out that these normative advances are offset by the constitutional provisions which, through specific and generic restrictions, put serious limitations on the exercise of the human rights embodied in the 1980 Constitution.

3. These restrictions are significantly increased when constitutional states of emergency are in effect; during these states the variety of rights which can be restricted or suspended has been enlarged, compared with those that could be the subject of limitations in the period prior to the 1973 military coup. During constitutional states of emergency the remedies for protecting the rights recognized are not applicable and the courts cannot evaluate the factual bases on which the administrative authorities base the measures adopted against those persons affected.

4. The scope of these limitations, due to the grant of extraordinary powers to the President, is clearly shown in Transitory Provision 24 of the present Constitution; the President can pursuant thereto apply real sanctions, sometimes of an indefinite nature, based on situations that are defectively codified from the normative point of view, without reasons justifying them, and without affording redress to the persons affected other than that of an appeal to the President so that this remedy becomes a mere petition for grace.

5. The analysis in Chapter II of this report leads the Commission to conclude that the restrictions on human rights during the constitutional states of emergency are excessive; the uninterrupted duration of these states of emergency since September 11, 1973 is in marked contradiction

with the strictly temporary nature of these instruments according to the international human rights treaties applicable to Chile.

6. The limitations on the exercise of human rights resulting from the above-mentioned situation, and the weakening of the remedies instituted for protecting them, have been possible because of the limitations imposed on the powers of the Judiciary due to the assumption of the legislative and constituent powers by the Government Junta. To these have been added the limitations the Judiciary has imposed upon itself by abdicating the supervision of military courts, its mechanical and formalistic application of the rules emanating from the Government Junta and its reluctance to investigate violations of human rights reported or resulting from the records of the cases submitted to it. This situation has signified a serious violation of the right to justice. The Commission must point out, however, that there have been praiseworthy exceptions to this behavior on the part of some members of the Judiciary, which are all the more meritorious if one bears in mind the negative conditioning to which they have been subject resulting from the situation described.

7. The right to justice has also been affected by the fact that the jurisdiction of the military courts has been significantly increased by subsuming cases of new political offenses when committed by members of the opposition, or common crimes when committed by personnel of the Chilean security forces. In addition, this increase in the jurisdiction of the military courts has occurred because of the introduction of new ways of assigning judicial competence.

8. These military courts do not guarantee the exercise of the right to justice since they lack the independence that is a basic requirement of the exercise of that right; in addition, they have shown marked partiality in the judgments they have handed down. Thus, the grave sanctions imposed on persons who have committed acts deemed attempts against the security of the State have been in manifest contrast with the total lack of sanctions imposed on members of the security forces who have been involved in extremely serious violations
of human rights.

9. To this damage to the right to justice must be added the serious restrictions imposed on the right to due process, reflected, in particular, in the consideration of petitions filed for protecting the various human rights in question, as a result of which persons have remained defenseless against the measures adopted by the Executive.

10. The above-mentioned concentration of powers, the restrictions on human rights during the uninterrupted imposition of states of emergency, the damage inflicted on the right to justice and to due process, and the lack of sanctions imposed on the persons responsible for human rights violations lead the Commission to conclude that the rule of law does

not exist in Chile at present. This is what has made it possible for serious and systematic violations of human rights to occur during the period covered by this Report.

11. With respect to the right to life, the Commission considers that this right has been seriously violated in Chile during the entire period covered by this Report. The magnitude of these violations has been characterized by a clear political orientation, since the victims have largely been persons who supported political positions opposed to that of the Government, or who, in public acts, have expressed their disagreement with it. The magnitude of the violations of the right to life that have occurred is explained by the fact that that Government has used virtually all known means to physically eliminate dissidents, including: disappearances, summary executions of individuals and groups, executions ordered in trials lacking legal guarantees, and torture.

12. The solid evidence collected by the IACHR and set forth in the respective chapter of this Report, enables it to affirm that torture has been a continuous, deliberate, and systematic practice throughout the entire period which began in 1973. This assertion is confirmed by the fact that not a single official has been punished for his participation in torture, to which must be added the allocation of the material and human resources required for that practice. All this, in the judgment of the Commission, has had a clear political purpose--to obtain information or self-incriminating confessions from the victims--leaving profound consequences on them and on their relatives.

13. With respect to the violations resulting from the repression of public protest demonstrations, the Commission notes that those violations have increased significantly since 1983 as these demonstrations became larger. The Commission is not unaware that the violence which presently prevails in Chile has also caused victims among the members of the security services of that country. The Commission regrets those victims and condemns, as it has always done, the use of violence as a means for settling social disputes. However, the Commission must conclude that the fundamental responsibility for those acts of violence is with the Government of Chile, which, through the excessive methods used, has created a climate of insecurity and fear.

14. With respect to the right to personal liberty, the Commission considers that this right has suffered a marked and sustained deterioration during the period covered by this Report. This has been the result of the successive extensions of the period during which a person may be detained without being brought before a judge, the lack of effective remedies guaranteeing the exercise of this right during the uninterrupted states of emergency, and the increase in the personnel authorized to carry out arrests, including intelligence officials who do not have the legal authority to do so. The right to personal liberty has also been seriously impaired by the fact that the present legislation authorizes persons to be forcibly relocated to remote places in Chile.

15. The practice of the Government of Chile with respect to personal liberty is characterized by a marked failure to observe the legal formalities required for making arrests, such as the failure of officials that carry them out to identify themselves, the non-existence of arrest warrants or the failure to exhibit them. This is complemented by the physical restrictions placed on many prisoners to prevent them from recognizing their destination, to which must be added the secret nature of certain places of detention. Although recently the location of some barracks of the National Intelligence Agency in which arrests are carried out has been revealed, they remain inaccessible to the relatives and lawyers of the victims, and even to court officers. The appreciable deterioration of this right is reflected in the practice of mass arrests carried out recently by the Government during military operations which covered entire neighborhoods and resulted in thousands of detainees.

16. With respect to the right to residence and movement, this right has also been seriously affected during the period covered by this Report. Although an improvement is to be noted, beginning with the measures adopted by the Government of Chile to permit the return of persons that until now have been deprived of that right, the Commission must point out that the prohibition to return to Chile still affects a significant number of Chilean citizens; also still in force are the rules that permit the President to expel or prohibit the return of the persons he specifies, for an indefinite period, without the need to give the reasons for such measures and without the persons affected being provided with any effective remedy against them. The President is thus invested with even greater powers than those that are prerogative of the Judiciary.

17. With respect to the right to nationality, the Commission must point out that there has been a considerable improvement in that no one has been deprived of nationality as a punishment for political reasons or reasons of another nature. The Commission also believes that the elimination in the 1980 Constitution of the power of the President to apply this penalty during states of emergency is a positive step forward. The Commission must, however, point out that the eight persons who are still affected by this measure have not yet succeeded in having it corrected, as justice requires.

18. With respect to the right to freedom of expression and opinion, the Commission is of the opinion that it has been seriously affected by the actions of the Government of Chile based on the broad powers which it has assumed through the exercise of the legislative power. The stringent limitations on this right have occurred during the states of emergency, during which the President, and the Chiefs of the areas under the state of emergency, can restrict and even suspend the publication or broadcasting of information when they deem it necessary and even close down organs of the media when they consider it advisable. These measures, which have included a system of prior censorship, have affected all the information on, and opinion about, political life in Chile, actions defined as terrorist acts, and even certain issues relating to high officials of the

Government. Despite the negative factors mentioned, the Government, in the face of public pressure, has occasionally and for short periods, allowed relatively broad freedom of expression, which, it is also necessary to recognize, has sometimes been brought to an abrupt end.

19. With respect to labor union rights, the Commission considers that they have sharply deteriorated as a result of the application of rules that openly contradict the international instruments governing the matter and which are applicable to Chile. In this regard, the right to strike, the right to organize unions, and the right to collective bargaining have been seriously impaired. To the above must be added the elimination of the labor courts and the submission of labor cases to the ordinary courts of justice, whose criteria for the evaluation of the cases submitted to them do not correspond to the requirements of equity and justice generally accepted in the labor field.

20. The Commission must also point out that the Chilean labor movement has been very seriously affected by the measures applied by the Government to achieve the goals it has fixed for itself; many labor leaders have disappeared while others have been arbitrarily arrested, expelled from the country, and sent into forced relocation. Despite the harrassment to which the labor movement has been subject, and the adverse conditions placed upon the exercise of its rights arising from the general economic situation, this movement is of particular importance in Chile, and agreements have been made within it to obtain the full reestablishment of labor rights in the context of a system of representative democracy.

21. With respect to the situation human rights organizations, the Commission has found that they have performed their functions under particularly adverse conditions. This has been determined by the fact that the Government has considered their activities to be politically motivated or to constitute an obstacle to the achievement of the goals it has set itself. This negative conception led to the dissolution, on the initiative of the President himself, of the Comité pro Paz, the first organization of this type to be founded. Subsequently, the organizations for the defense of human rights have had to face various forms of harrassment by the Government, which include arbitrary arrest of their officials, forced relocation, and indefinite expulsion from the country. Despite all these limitations, and precisely because of them, the work of these organizations has been laudable from every point of view and deserves the most sincere praise of the Commission.

22. It is in the exercise of political rights that the Commission finds the synthesis that makes it possible to explain both the serious situation

characterizing human rights in Chile and the alternatives that will make it possible to change it. To a very large extent, the violations of human rights reported throughout this report have stemmed from the disproportionate measures used by the Government to achieve the goals it has set itself. Regardless of the value judgment those goals merit, none of them justifies their achievement at the cost of sacrificing the inalienable rights of the human person.

23. In practice, the conduct of the Government of Chile has marginalized in the extreme various political sectors and has deprived the population of the institutional channels that permit it to participate in the decisions which affect them. This disregard of political rights is paradoxically reflected in the provisions of the 1980 Constitution, which does not fulfill the basic requirement of a constitution--that of distributing power among the significant political sectors of the country; on the contrary, it consecrates a personal government to which the people and the institutions of Chile are subordinated.

24. The disregard of political rights arising from the rigid adherence to the provisions of that Constitution has caused a dangerous increase in social tensions which the Government has encouraged through the means with which it has tried to repress them; that situation is aggravated by the lack of willingness of its members and of its institutional support, the Armed and Security Forces, to consider the various proposals for reversing the polarization which characterizes Chilean political life today.

25. Hence the Commission considers that it is essential for the Government of Chile to put in place the institutional mechanisms it deems pertinent to achieve a consensus among the political sectors representative of the Chilean people and the fundamental institutions of that country, with a view to restoring, without delay, the system of representative democracy which, as pointed out repeatedly by the Commission, is the best guarantee of the observance of human rights and is the basis of solidarity among the countries of the hemisphere.

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DEMOCRACY AND DOUBLE STANDARDS: THE VIEW FROM CHILE

Peter D. Bell

Twelve years after the bloody coup that resulted in the overthrow of the Popular Unity government and the death of Salvador Allende Gossens, Chilean President Augusto Pinochet Ugarte still clings to power. Despite growing opposition, he shows no willingness to permit a democratic opening. His intransigence is the central fact of political life in Chile. Both the Chilean people and U.S. policy toward Chile must confront this reality. The longer the United States supports Pinochet, the longer before his regime falls, and the more dangerous the aftermath will be—both for Chile and for U.S. interests in South America.

Although military regimes have been falling like dominoes throughout South America in recent years, Chile—with perhaps the proudest democratic tradition in the region—has been a tragic exception to this general trend. Pinochet's recalcitrant position is bolstered by the unity of the Chilean Army and the divisions within the political opposition, but it has also been reinforced by the Reagan administration's approach to anticommunist dictatorships in the Third World. The administration has stuck to a policy of "quiet diplomacy": it avoids weakening anticommunist dictators with public criticism and instead tries using friendly persuasion to get them to mend their repressive ways. The administration's hard line against communism and its quiet approach to human rights violations, however, have worked to Pinochet's advantage. He has been able to treat U.S. policy as a show of political support, while turning a deaf ear to any private U.S. criticism of his regime.

The Reagan administration's recent touting of the "return to democ-

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Peter D. Bell is a senior associate at the Carnegie Endowment for International Peace, writing on U.S.-Latin American relations. He served as head of the Ford Foundation's offices in Santiago from 1970 until 1974, and returned to Chile this past June on a mission for Americas Watch, the human rights organization.

racy" in Latin America is a belated effort to identify the United States with the South American trend toward political liberalization—a trend that began before Ronald Reagan's 1980 election and prospered in spite of his administration's "quiet diplomacy." This celebration of the "return to democracy" is also a way to gain greater support, particularly in Congress, for U.S. policy in Central America, which had been widely criticized for its insensitivity to abuses of human rights and civil liberties. By declaring the promotion of democracy to be a central U.S. foreign policy goal, the administration is trying to give moral purpose to the U.S. role on the isthmus and to justify its support for the overthrow of Nicaragua's Sandinista government.

Thus the administration now insists that—as Secretary of State George Shultz put it—"democracy is precisely what is at stake in Central America." In fact, however, the driving force behind current U.S. policy toward both Central and South America is not democracy but anticommunism. Democracy is promoted only when it is judged more effective than support for a particular dictatorship in fighting communism. By encouraging the primitive anticommunism of the Pinochet regime, the administration has actually set back the cause of democracy in Chile. Because he has polarized the country between the extremes of the right and the left, Pinochet has reduced the possibility of a transition to a more open and moderate government and has consequently increased the likelihood of a totalitarian solution.

U.S. Interest in Chile

Although remote from vital U.S. interests, Chile has occupied a disproportionately large place in U.S. relations with Latin America. What sets Chile apart from its neighbors is its politics. Among Latin American countries, Chile is notable for the length and continuity of its democratic tradition. From 1830 until the military coup of September 1973, Chile suffered only three momentary interruptions in that tradition—first in 1891, and then in 1924 and 1931. Cross-cultural studies of political development in the 1960s ranked Chile among the most advanced democracies in the world, comparable to the Scandinavian countries, England, and the United States. In the decades prior to the coup, Chile's vigorous democracy, with its multiple political parties, strong trade unions, regular elections, free press, open debate, and respect for the rule of law, was a source of national pride and international admiration.

The Chilean political system is further distinguished by the strength of its leftist parties, especially the Socialists and Communists, who prob-

ably still command the loyalty of one-quarter to one-third of the population. The fortunes of the Socialists have ebbed and flowed since the founding of the party in the 1930s, and the party has always contained multiple ideological currents in uneasy confluence. The Chilean Communist party, which has often been in bitter rivalry with the Socialists, is the oldest, strongest, and most disciplined communist party in South America. On international issues, it has hewed closely to Moscow's line. At the same time, over most of the 50 years prior to the current military dictatorship, the party—despite its Marxist-Leninist rhetoric—abided by the rules of Chile's democracy and participated actively and openly in the political life of the country.

While the political left, with its base in the industrial belts, shantytowns, and mining areas of the country, has been unusually strong by Latin American standards, it has never dominated Chilean politics. During most of the period following World War II, Chileans have divided more or less evenly among the political left, right, and center, coming together in unstable coalitions to elect governments. Over the past 25 years, the centrist Christian Democrats, with a heavily middle-class constituency, have been by far the largest, most broadly based political party; their own orientation—either to the left or the right of center—has been a matter of internal competition and has played a crucial role in shaping Chilean politics as a whole. Prior to the 1973 coup, the conservatives, whose strength had rested in the traditional agrarian and financial sectors, had been losing ground to parties of the center and left; but with the coup, conservative economic interests again became dominant.

The very openness of Chilean democracy, when combined with this delicate balance among its political forces, has made Chile an ideological battleground for both domestic and foreign interests. Nowhere else in Latin America has the election of a Marxist government been a repeated possibility in the postwar period. But the United States, as a world power intent on maintaining a friendly environment in its own hemisphere, has persistently sought to prevent that possibility from becoming a reality. After a Socialist president was narrowly elected in a three-man race in 1970, U.S. policy turned against the Chilean government. It also turned against Chilean democracy.

If there has been any constant in U.S. relations with Chile since World War II, it is this implacable U.S. opposition to the Chilean left. Anticommunism was responsible for U.S. intervention in the political life of the country long before Ronald Reagan's inauguration. In 1964, for example, the Johnson administration sank $4 million into the presidential election

of Christian Democrat Eduardo Frei and then committed $600 million in aid to make Frei's "Revolution in Liberty" a showcase for the Alliance for Progress.

In 1970, when President Richard Nixon and Secretary of State Henry Kissinger awoke to Salvador Allende's electoral plurality, they tried frantically to find a way to undo it—"to save the Chileans from their own irresponsibility," as Kissinger stated at the time. Disappointed by the outcome of the democratic process, they sought to subvert it. They first plotted to bribe Chilean congressmen into voting against Allende in a runoff election in Congress and then to goad the Chilean armed forces into a coup by kidnappping Commander of the Army René Schneider. When Allende was inaugurated despite U.S. efforts, Nixon vowed "to make the economy scream." The United States subsequently cut off almost all bilateral aid and blocked most multilateral assistance, thereby sending a message to commercial lenders as well. Finally, the Nixon administration secretly paid out $7 million—worth many times that amount on the Chilean black market—to fortify opposition groups and to subvert the Popular Unity government.

The military coup occurred with a virulence and a vengeance for which few Chileans were prepared. The bombing of the presidential palace and the killing of hundreds, and perhaps thousands, of suspected leftists marked a definitive break with the civil tradition of Chilean politics. Many Chileans who had opposed the Allende regime naively hoped that the military government would be a temporary tidying-up operation, but Pinochet and his military colleagues were committed to a thoroughgoing cleansing of Chile's social and political institutions. They were ready for a war without quarter not only against political parties of the left, but also against an entire political system that, in their view, had permitted the intrusion of alien ideologies that had brought the country to the edge of chaos and civil war.

The military junta, with Pinochet at the head as commander of the army, moved swiftly to dismantle the old political order. Civil liberties were sharply curtailed. Tens of thousands of Chileans were detained without charges; many of them, tortured. Thousands more were dismissed from their jobs in public and private institutions and forced into exile. Congress was closed; leftist political parties were banned; other parties were declared "in recess"; all union activity was suspended; universities were given over to military officers; and the press and other media were heavily censored. In addition, Pinochet established a secret police agency, the

dreaded DINA, capable of making political suspects "disappear" in Chile and of assassinating rivals abroad.

Throughout the 1970s, Chileans—traumatized by the economic and political chaos of the last months of the Allende government and neutralized by Pinochet's show of force against all opponents—manifested little open resistance to the dictatorship. The Catholic Church was the only major institution with the conscience, the independence, and the strength to openly offer assistance to the oppressed. Many Chileans, especially from the middle class, longed only for a return to "normalcy." Thanks to the rapid economic growth of the late 1970s, the military regime enjoyed a measure of popular support through 1980. The vote of confidence for Pinochet in the plebiscite of January 1978 was undoubtedly "manipulated," as retired air force general and former junta member Gustavo Leigh has recently charged, but it was not a total fabrication.

The Nixon and Ford administrations were satisfied that the fate of the Popular Unity government had ended the Marxist threat to Chile. Their enthusiasm about the coup inured them to the massive human rights violations that were occurring under Pinochet. When U.S. Ambassador David Popper complained to the regime about its abuses, Kissinger recommended that Popper "cut out the political science lectures." At the same time, U.S. bilateral aid increased sixfold in 1974 and tripled again in 1975, and the United States rescheduled official loans of $201 million due in 1974 and $96 million due in 1975. The World Bank, which had closed its window to Chile during the Allende years, extended new loans in 1974 and 1975, as did the Inter-American Development Bank. U.S. commercial banks took their cues accordingly.

Thus U.S. policy in the years immediately before and after the coup linked the United States with the destruction of Chilean democracy. Whether or not the Central Intelligence Agency (CIA) actually participated in plotting the coup, U.S. policy had helped to destabilize the Allende government. The coup was provoked primarily by domestic events, but the United States abetted the deterioration of the Chilean economy and the polarization of Chilean society. After the coup, U.S. generosity toward the military regime suggested gratitude and approval—an impression made so deeply on most Chileans that it could not easily be erased, even if the United States so desired.

Members of the U.S. Congress did express concern about human rights violations in Chile—concern that turned into outrage over DINA's brutal murder of Orlando Letelier, a former Chilean ambassador to the United States and minister of defense under Allende, and Ronni Moffitt, an Amer-

ican friend, on the streets of Washington in 1976. By the beginning of the Carter administration, Congress had passed legislation terminating all military assistance to Chile and instructing U.S. directors to vote against loans to Chile in the multilateral financial institutions. But the impact within Chile of this shift in U.S. policy was dulled by the censorship of the Chilean news media and by the enormous influx of U.S. commercial lending that more than compensated for the decline in bilateral and multilateral aid.

Chile Since 1980

Today, Pinochet's main claim to legitimacy is his contention that 67 percent of Chilean voters approved a new constitution in 1980, even though the plebiscite hardly met the standards of a fair election. The constitution was designed to perpetuate Pinochet's rule as president at least until 1989, to convert the other members of the junta into a "legislative" body, and to lay the groundwork for implementing Pinochet's concept of a "protected democracy"—a "democracy" in which, among other things, the left is excluded. A key provision, aimed at eliminating leftist parties and movements, "outlaws the propagation of doctrines that attack the family, advocate violence, or put forward a concept of society . . . based on the class struggle."

Under the terms of the constitution, which is impossible to amend without the agreement of the military, the first opportunity for a change in national leadership would not occur until 1989, when the junta is to name the sole candidate—quite likely Pinochet himself—for an eight-year term. Congressional elections would occur in 1990. In the interim, it is up to Pinochet and the junta to work out the specific steps toward the "transition," including, for example, the preparation of an electoral register and the formulation of a law governing political parties. The constitution contains provisions that, if observed, would protect many civil liberties and human rights; but it also contains several "states of exception" and "transitory" powers that have become the norm under Pinochet, legalizing a panoply of repressive measures.

Although much of the current opposition in Chile is directed against Pinochet's repression, it was the deterioration of the economy that prompted the first wave of public demonstrations against the regime in mid-1983. The radical free-market economic policies of the junta's "Chicago boys" made Chile especially vulnerable to the world recession of 1981 and 1982 and to the debt crisis that engulfed all of Latin America. In Chile, as in neighboring countries, bankruptcies proliferated, unemployment soared,

and public confidence in the government's capacity to manage the crisis waned. National income, which had been growing at 7 percent annually during the economic boom of the late 1970s, plummeted 14 percent in 1982. Disaffection with the regime was exacerbated by the renewal of widespread human rights abuses, including increased numbers of detentions and instances of torture. It was also bolstered by the popular pressures for the return to democracy that were manifested in Argentina, Uruguay, and Brazil.

A series of national days of protest between May 1983 and October 1984 demonstrated the extent of opposition to the military regime. The movement, which was started by the copper-workers' union to protest the government's economic policies, quickly broadened into a campaign to defend workers' and human rights and to demand the return to democracy. It enlisted the support of other labor unions, political parties, organizations of slum dwellers, student and professional associations, and human rights groups. What seemed most ominous for Pinochet, however, was not the tens of thousands of union members and Communist, Socialist, and Christian Democratic party militants in the streets, but the presence of groups previously supportive of the regime, including shopkeepers' and farmers' associations, the truckers' union, and several conservative political parties.

The protest movement of 1983 and 1984 also showed the depth of the divisions within the opposition and the intransigence of Pinochet. In retrospect, it is difficult to assess whether, if managed differently, the movement might have succeeded in bringing down Pinochet, or at least in forcing a significant political opening. What is clear, however, is that the political parties underestimated Pinochet's tenacity and overestimated their own strength. Their failure to conduct themselves more adroitly set back the momentum for political change. In the first, heady months of protest, leaders of the political parties acted as though Pinochet's resignation was a foregone conclusion and they turned to jockeying for advantage among themselves in anticipation of a provisional government. When the regime did not fall, the Communist and other parties of the left pressed for stepped-up confrontation in the streets; the conservatives pushed for negotiation with the regime toward a gradual transition; and the Christian Democrats, now at the center of a new Democratic Alliance, equivocated, eschewing leftist violence but advocating decisive change. Despite agreement on the urgency of returning to democracy, the leaders of the major parties were divided over how to get there.

Underlying the tactical differences within the opposition—on whether to seek confrontation or to avoid violence, to negotiate with the govern-

ment or to demand its resignation—were concerns about substantive issues of vital importance. The left, which had borne the brunt of military repression and free-market economic policies, sought to make the state once again serve the workers. The conservatives, many of whom had been pushed to near ruin by the agrarian and economic policies of the 1960s and early 1970s, demanded assurances of private property and social stability. The Christian Democrats and their allies wanted a mixed economy based on a new social compact. Each of the major political groups distrusted the others, remembering how they had insisted on governing alone once in power in the past. It was difficult for them to adjust to a new reality, in which reconciliation and collaboration needed to precede competition.

Pinochet responded to the pressures for change in the manner that is by now characteristic—giving the minimum ground necessary and then taking back every inch possible as soon as he could regain the advantage. For example, he appointed Sergio Onofre Jarpa, a former president of the conservative National Party, as minister of the interior, and announced that he might advance the date for congressional elections, which had been scheduled for 1990. It was widely believed that Jarpa had been charged by Pinochet to initiate a dialogue with the leaders of the moderate opposition. But the "dialogue" proved short-lived. Pinochet pulled the rug out from under Jarpa by publicly stating that he had never authorized political negotiations and that he had changed his mind about congressional elections. For their part, the political parties—which Pinochet frequently denigrates as factions useful only to ambitious, self-serving politicians—had played into his hands by appearing more interested in doctrinal and tactical disputes than in pushing him from power.

While the opposition failed to close ranks, Pinochet maintained strict command over his real base of power, the armed forces. He relied on their loyalty to censor the media, to arrest opposition leaders, and to repress demonstrations—all in an attempt to keep the semblance of order. Air force officers, including General Leigh, who had been dismissed from the junta in 1978, and General Fernando Matthei, who succeeded him, had occasionally registered dissonant notes by suggesting the need for a political opening. But the army—by far the most powerful of the armed forces—appears to have maintained unity in support of Pinochet's hard line. Schooled in the Prussian tradition, the Chilean Army is accustomed to showing complete obedience to its commanders. Besides, all of the senior officers had been promoted to their posts by Pinochet. Their loyalty could only have been stiffened by neighboring Argentina's return to democracy in 1983, and the subsequent imprisonment and trials there of high-ranking

officers for human rights abuses. Short of any direct threat to the integrity and survival of the army itself, the officer corps were very unlikely to abandon Pinochet.

Once Pinochet had regained the upper hand against the opposition, he quickly reasserted his dictatorial control in the name of "restoring order." In November 1984, Pinochet abandoned any remaining pretense of flexibility, and declared a 90-day state of siege. Citing increased terrorist attacks by leftist groups, some of which were actually staged by the armed forces, he began a harsher, more systematic crackdown against his opponents. Characteristically, he struck first at the Communists and their working-class strongholds, but he also targeted Christian Democrats and other moderates whom he views as stalking horses for the left.

During the ensuing seven months, Pinochet twice extended the state of siege and used his repressive authority to impose a strict curfew, close six opposition magazines, censor reporting on political or terrorist activities, and prohibit political meetings and demonstrations. The armed forces conducted predawn security sweeps through low-income settlements, detained some 40,000 young men suspected of "antisocial" behavior, and banished 600 political organizers to remote parts of the country. Besides such "lawful" repression, the state of siege signaled the resurgence of right-wing terrorist activity, linked to the armed forces, on a scale unequaled since the years immediately following the coup. By such repressive measures, Pinochet managed to derail the opposition's plans for a national strike and to intimidate and demoralize the democratic parties. He also further polarized Chilean society and gave credence to the extreme left's insistence that only violence could remove him from power.

"Evenhanded" Policy

The declaration of the state of siege catapulted Chile into problem status for the Reagan administration and provoked an interagency policy reassessment. For some members of the administration, Pinochet's repressive measures had begun to conjure up images of the Somoza regime in the late 1970s. They feared the possibility of "another Nicaragua"—an escalating struggle between leftist revolutionaries and a pro-U.S. but isolated dictator, with each side reinforcing the other's intransigence. Other participants in the administration's reassessment confirmed their support for Pinochet's obdurate anticommunism. They stressed the divisions within the opposition, the unity of the army, Pinochet's ability to maintain order, and the general uncertainty about who might succeed him. Three courses

seemed open: to stand by Pinochet through thick and thin, to break openly with him in favor of the democratic opposition, or to edge toward a more "evenhanded" policy between him and the opposition.

Any searching reassessment would have had to conclude that the United States had received precious little in return for its friendship toward Pinochet. At the beginning of Reagan's first term, the White House had appointed James Theberge, an early public supporter of the coup, as U.S. ambassador, and dispatched several special envoys, including Vernon Walters and Jeane Kirkpatrick, to call on Pinochet. It also announced the renewal of Chilean participation in the UNITAS joint naval exercises and the resumption of U.S. support for loans to Chile from the multilateral banks.

What did these gestures achieve? Within 48 hours of Kirkpatrick's visit, the president of the respected Chilean Human Rights Commission, with whom Kirkpatrick had refused to meet, was forced into exile. Publicly, the administration responded with silence. When protests spread during 1983 and 1984, Theberge backed Jarpa and the move toward a democratic transition that Jarpa was supposed to represent—only to discover, belatedly, that Pinochet had no intention of relinquishing any power. Instead of the political opening that Washington had meekly encouraged, Pinochet declared the state of siege—on the very day that U.S. citizens were voting in the presidential election. If in 1983 and 1984 the administration had taken a more forthright stance, publicly backing the goals of the protest movement and pushing Pinochet to reduce his repression, it might have furthered the cause of political liberalization, or at a minimum deterred Pinochet from calling the state of siege. Instead, by befriending him, trying to nudge him toward an opening but taking care not to offend him, the administration sent mixed signals, which Pinochet used to his own advantage.

Despite the ineffectiveness of its previous approach, the administration's review of relations with Chile produced little real change in U.S. policy. That policy contained four principal elements: to advocate acceptance of the 1980 constitution, including its stipulation that Pinochet remain in power through 1989, as the framework for a "transition to democracy"; to encourage dialogue between the government and the conservative-to-centrist political parties, within that framework; to cut off the left from the democratic opposition, discrediting the Communists in particular as confirmed terrorists; and to press for reforms—termination of the state of siege, preparation of an electoral register, and legalization of non-Marxist

political parties—that would ready Chile for a gradual and peaceful political opening.

What did emerge from the administration's reassessment was a subtle shift from easy friendship with Pinochet to uneasy friendship. Although unwilling to risk an open break with him, the administration was no longer comfortable with being viewed as giving him unqualified support. It now knew that the credibility of its calls for democracy depended on putting more distance between itself and Pinochet. Yet—especially in view of Pinochet's worsening repression—major aspects of U.S. policy continued to reinforce the legitimacy of Pinochet's rule, to divide the opposition, and to justify both the violence of and the repression against the left.

This ambivalence has resulted in ineffective policy. U.S. actions have usually been too little, too late, and Pinochet has successfully maneuvered around them, as illustrated by his handling of the state of siege. After Pinochet's initial imposition of the state of siege, the administration issued a series of bland public statements, regretting the escalation of violence and the abridgement of human rights and calling for dialogue between the government and the democratic opposition. The White House also canceled a visit to Chile by General John A. Wickham, Jr., the U.S. army chief of staff, and disclosed Reagan's intention to replace Ambassador Theberge with Harry G. Barnes, Jr., a career diplomat then serving as ambassador to India. The impact of this last move—potentially the most important—was dissipated, at first by the efforts of conservatives to sidetrack the nomination and then by their success in delaying it. This past February, unimpressed by the U.S. pressures, Pinochet not only extended the state of siege for a second 90-day period but also fired Jarpa as minister of the interior, thus completely closing the door on dialogue with the opposition.

The administration responded by instructing its directors at the multilateral banks to abstain from votes on loans to Chile. In none of these cases, however, did the United States actively lobby against the Chilean requests, which were approved without difficulty. The administration also sent Assistant Secretary of State A. Langhorne Motley and Deputy Assistant Secretary of Defense Nestor Sanchez on missions to Chile, but the effectiveness of their visits was questionable. What these two officials told Pinochet is still not a matter of record, but Motley's public statements seemed designed to assuage Pinochet and his most conservative U.S. supporters. Motley declared that Western democracies owed a "debt of gratitude" to Chile for carrying out the 1973 coup, downplayed the first of the U.S. abstentions on Chilean loans as a sop to congressional critics of

administration policy, and assured the world that Chile's destiny was "in good hands."

In May, Pinochet extended the state of siege for yet a third 90-day period. In the words of one State Department official, this provoked the administration "to lower the boom" on the dictator. At that time, Chile had nearly completed critical negotiations with the United States, the multilateral lending institutions, and the commercial banks for a $1.4-billion package of loans to keep the Chilean economy afloat. Approval depended heavily on active U.S. support for three controversial requests to the World Bank—a $50-million loan for an energy development project, a $145-million loan for a highway construction program, and a $150-million guarantee of commercial bank loans. By threatening to withhold its backing, the administration finally persuaded Pinochet to lift the state of siege in mid-June. A few days later, however, without taking time to ascertain whether the end of the state of siege meant a real reduction in repression, the administration backed World Bank approval of the Chilean requests—once again displaying the ambivalence that underlies its policy.

Although most opposition leaders in Chile welcomed the lifting of the state of siege, they were not long in realizing that, except for the return of the six previously proscribed magazines and the relaxation of the curfew, it did not mean much in practice. By declaring the continuation of a state of emergency and issuing several supplementary decrees, Pinochet effectively retained most of his repressive powers. Many Chileans wondered aloud not at the success of U.S. pressures but at how little they had actually achieved. The question was whether Pinochet had outmaneuvered the administration, whether the administration had mainly been trying to impress Congress, or whether the administration had indulged in wishful thinking. Each of those interpretations undoubtedly bears some truth.

The lifting of the state of siege—almost as much as its imposition—showed that the Reagan administration's much-vaunted "quiet diplomacy" was only half working in Chile. It had succeeded in reassuring Pinochet about the U.S. need for his friendship, but had not resulted in any significant improvement in human rights or in any movement toward a political opening. From the Chilean perspective, the shift in U.S. policy during the state of siege was scarcely noticeable. Pinochet is not a subtle man. He remained confident that when push came to shove the Reagan administration would back his militant anticommunism. And although leaders of the democratic opposition might have detected the change from active support of Pinochet to a more ambiguous position, they were disappointed by Washington's indecisiveness. Shortly after the lifting of the state of

siege, officials of the centrist parties were still asking when—and whether—the United States would come around to supporting democracy in Chile. In light of Pinochet's near monopoly over the use of force and his determination to remain in power, U.S. "evenhandedness" between the regime and the democratic opposition still looks like backing for Pinochet.

The inconsistencies in U.S. statements and actions concerning democracy in Latin America are not lost on Chileans. Many of them compare Washington's policies toward Chile today with its policies toward Chile during the Allende period and toward Nicaragua under the Sandinistas. Nixon set out to make the economy under Allende "scream" and Reagan wants to make the Sandinistas cry "uncle"—yet at the same time his administration has stressed its determination not to "muscle" into the internal affairs of Pinochet's Chile. The White House has declared unswerving support for the "restoration of democracy" in Nicaragua, a country without democratic tradition—and has made references to the "pendulum swings" between democracy and dictatorship in Chile, which governed itself democratically for more than four decades prior to 1973. Kissinger insisted on rescuing Chileans from their "own irresponsibility" (the choice they freely expressed at the polls in 1970)—while the current administration insists that Chile is in good hands today. Except on the left, Chileans have not reacted to these glaring examples of U.S. double standards with rabid anti-Americanism. But moderate Chileans do convey a deepening cynicism about the United States and about the moral basis of its claim to leadership of the "free world."

Hard Lessons

The leaders of the democratic opposition have learned some hard lessons in the school of Pinochet's repression—lessons that make them question not just the effectiveness but also the sincerity of U.S. policy toward Chile.

First, the twelve years of Pinochet's dictatorship have made it clear that Pinochet will not negotiate a transition to democracy of his own accord. Under the pretext of fighting leftist terrorism and "protecting" democracy, he has persistently sought to dismantle and silence the entire opposition. He is implacably opposed both to the left and to democracy as such. He did not push through the 1980 constitution to pave the way for a return to democracy; rather, he was trying to legitimize the continuation of his repressive rule. When confronted with the 1983 protest movement, Pinochet designated Jarpa to negotiate a political opening with the opposition. Once he regained the upper hand, Pinochet turned his

back on Jarpa, renounced dialogue, and slapped the state of siege on the country. Under U.S. pressure he finally lifted the state of siege, but then took advantage of Washington's indecisiveness by reimposing the state of emergency. The major obstacle to a democratic transition is not the constitution of 1980, deficient though it may be. The major obstacle is Pinochet himself.

Second, in order to overcome this obstacle, the opposition—now the overwhelming majority of Chileans—must forge a unified front. Throughout much of 1983 and 1984, the opposition seemed to be gathering strength. But rivalries and doctrinal disputes between political party chieftains slowed this momentum, and today opposition groups are still divided on important issues. For example, the parties of the left and center vehemently reject the 1980 constitution as a framework for a political transition. In contrast, the conservatives, though they question the constitution's legitimacy, accept it as a starting point for negotiation. The left, having suffered the most from Pinochet's repression, believes that political change will have to be forced by confrontation, whereas the conservative and centrist parties advocate peaceful resistance, refusing to ally themselves with groups committed to violence. Underlying these issues, of course, are basic conflicts of attitude toward the Pinochet legacy and the Communist party. To overcome these differences, the opposition must painstakingly construct a broad civic front, composed not only of political parties but also of the Catholic Church and organizations of workers, women, students, professionals, merchants, and farmers. In late August, with the blessing of Archbishop Juan Francisco Fresno Larraín, leaders from 11 conservative to left-of-center parties advanced toward that goal in signing a "National Accord for the Transition to Full Democracy." Partisan dissension must be set aside if Chilean democracy is to be restored.

Third, in order to form the broadest possible democratic movement, the opposition must resolve the question of the Communist party's current and future role—a question that is complicated by the party's present endorsement of "all means," including violence, to combat the dictatorship. In a letter to the central committee of the Communist party last April, Christian Democratic President Gabriel Valdes made it clear that his party would not ally itself with the Communists as long as they continue to espouse violent tactics. The Communists' response justified the use of arms primarily as a way for workers to defend themselves against the regime, but it also acknowledged that reaching an "accord among all democratic forces is fundamental." Despite Pinochet's commitment "to extirpating the Marxist cancer" from Chile, the Communist party still has

deep roots in the country and probably continues to command the loyalty of about 15 percent of the population. In light of the Communists' long adherence to the rules of Chilean politics before the 1973 coup, it is widely assumed—even by conservatives—that they will eventually participate in a restored democracy. But if they want to close ranks with the rest of the opposition, they must forswear violence. In exchange, the centrists and conservatives should recognize that Pinochet must be confronted by mass mobilization.

Fourth, the cause around which Chileans are most likely to mobilize is the holding of fair and open elections, as propounded in the National Accord of late August. Despite persistent ideological differences, Chileans across the political spectrum are now disposed toward compromise and pragmatism on questions of how to organize the economy. The left recognizes the importance of spurring private investment and guaranteeing private property, and the right understands the need to regulate personal wealth and to offer all Chileans a decent livelihood. And unlike Nicaragua or El Salvador, Chile has a long history of deciding its most important questions by democratic elections. Even with the state of siege, the principal labor, student, and professional organizations all held internal elections over the past year, and in almost every case opposition groups joined forces to elect their candidates, usually moderate Christian Democrats. Without question, in a genuine plebiscite on whether to continue the dictatorship or restore democracy, Pinochet would lose. So he rejects free elections in order to ensure his political survival. The more blatantly he is forced to circumvent elections, the weaker will be the perceived legitimacy of his rule.

Finally, once the military sees that the regime is isolated and that the Chilean people seek reconciliation, not retribution, the officer corps may begin to question their loyalty to Pinochet. The National Accord makes clear that the demands for justice during a democratic transition must be in keeping with "the spirit of national reconciliation." Within that spirit, it eschews special tribunals for human rights violations, relying instead on the existing court system. If the question of vengeance is put to rest, then the opposition may be able to convince the military—by unity, by mass mobilization, and by nonviolent resistance—that a political opening is preferable to endless repression. A year ago, just before Pinochet declared the state of siege, Air Force Commander Matthei warned that if a transition to democracy did not begin soon, "we will end up destroying the armed forces more efficiently than any Marxist infiltration can." There have been suggestions of breaches in the traditional unity of the armed forces.

In August, General Cesar Mendoza, long regarded as a close ally of Pinochet, was forced to resign as chief of the National Police and member of the junta after policemen were implicated in death squad activities. It was widely speculated that this purge of Mendoza and other police officers resulted from rivalry between intelligence agencies. Matthei's warning may yet prove to have been prescient.

A New U.S. Policy

These lessons, which Chile's opposition has had no choice but to learn, should also be studied by Washington. For they suggest that if the United States is serious about promoting democracy in Chile, it has to change its approach. To begin with, U.S. policymakers must recognize both Pinochet's intransigence and the interest of the United States in distancing itself from him. The administration should not be overly impressed by Pinochet's ability to impose order by force, but should steadfastly commit itself to democracy as the best guarantor of political stability in Chile.

Because the fashioning of a democratic transition is first and foremost a Chilean responsibility, the U.S. role should remain limited. Nevertheless, what the United States does and says matters in Chile—as throughout Latin America. The administration can demonstrate its commitment in a variety of ways: speaking out in favor of democracy, denouncing human rights violations, backtracking on its support for the 1980 constitution, and advocating free and fair elections at an early date. In doing so, the White House would send clear signals to both Pinochet and the opposition—that it was no longer willing to appear complicit in Pinochet's repression and that it was confident in the capacity of Chileans to decide their future for themselves. The United States does not have the power to persuade Pinochet to withdraw from the presidency, but it could pressure him to reduce his repression, which would create greater opportunities for Chileans to express their opposition and organize themselves for a democratic transition.

Although disappointing in important respects, the U.S. role in the lifting of the state of siege gives a hint of what Washington could do with the requisite commitment. Contrary to the administration's disclaimers, the United States has not lacked leverage in Chile; it has lacked the determination to use it. To exercise this influence, Washington need not threaten special economic sanctions. It must simply implement current U.S. law that requires U.S. opposition to multilateral loans for countries that grossly violate human rights, and it must refuse to go the extra measure on Chile's

behalf, as it did in June when it mobilized support for Chile in the World Bank.

With the highest foreign debt per capita in South America and with its export earnings down as a result of depressed world prices for copper, Chile is in deep economic trouble that will last into the 1990s. Despite the continued orderliness of its accounts, Chile should, by most objective standards, be considered uncreditworthy. As long as it obtains active U.S. backing, it will probably keep its commercial creditors in tow. But its entire package of international credit—multilateral and commercial—could quickly unravel if Washington became uncooperative. Pinochet has made improvement in the economy a high priority for consolidating his rule. He knows that even his most conservative support might crumble if his repression became a net liability to the economy.

In addition to economic pressures, the United States should use its relations with the Chilean military, the last bastion of Pinochet's power, to convey its advocacy for the return to democracy. For example, it should suspend Chilean participation in the annual UNITAS joint maneuvers—a collaborative activity that Pinochet regards as a symbol of U.S. political support. The administration should also stop making soundings in Congress about renewing military assistance to Chile. The rationale that this would furnish the United States with leverage over Pinochet seems disingenuous. If the real goal is to increase leverage over Pinochet, the U.S.-Chilean economic relationship should be used.

In moving away from Pinochet, Washington should become more accessible to the democratic opposition. The administration has indeed made some progress since its first months in office, when Ambassador Theberge invited only the most conservative, pro-Pinochet political figures to his residence. This past July, the assistant secretary of state for inter-American affairs, Motley, was replaced by Elliott Abrams. In his previous post as head of the Human Rights Bureau, Abrams had been more accessible to the Chilean opposition than any other senior official in the State Department. Neither Secretary Shultz nor National Security Advisor Robert McFarlane, however, has met with opposition leaders. In May, Reagan denounced Chile as one of four dictatorships—along with Paraguay, Cuba, and Nicaragua—in Latin America. If he takes that position, then to be consistent he should invite the leaders of the 11 opposition parties who signed the National Accords to meet with him at the White House, just as he invited the leaders of the Unified Nicaraguan Opposition last April.

Although the United States should forthrightly support the return to democracy and demonstrate its confidence in the democratic opposition,

it must not try to engineer the terms of the transition. Specifically, the administration should not intervene in the democratic opposition's relations with the Communists and other leftist elements, as Motley did when he told the Chilean press: "A front or an alliance that includes Communists or Marxists, by definition, is not pro-democratic." Including the Communist party within the Chilean political system poses some risks, but most Chileans believe that the risks of excluding it are greater. Washington should respect the democratic opposition's efforts to persuade the Communists to renounce their support for armed struggle and to adopt a nonviolent stance. By its current policy of adamantly opposing a role for the Communists in any political transition in Chile, the Reagan administration increases the rigidity of both Pinochet and the Communist party. It also impedes the unity among opposition groups that is crucial to restoring democracy.

The Reagan administration may not be ready to put its full weight behind the return to democracy in Chile. In this case, Congress must make a bipartisan effort to strengthen the administration's resolve and to convey U.S. support for the democratic opposition. Last spring, a resolution of such support was narrowly defeated in the House of Representatives—and the deciding factor was not so much disagreement over Chile as Republican disgruntlement over the seating of an Indiana Democrat whose election was in dispute. Since then, the Western Hemisphere Subcommittee of the House Foreign Affairs Committee has held hearings on Chile at which even Congressman Henry Hyde, an outspoken conservative, declared that Pinochet had outlived his usefulness: "He has held power much too long, and the country is ready, has been ready for a long time for a democratic election." The subcommittee, though bitterly divided on Central American issues, is near a consensus on Chile. This should be crystallized in a congressional resolution calling for early elections and, in the interim, the suspension of joint naval exercises and of U.S. economic backing for Chile.

In addition, the United States should work in concert with its democratic friends in South America and its allies in Western Europe to curb human rights abuses and advance a political opening in Chile. Unlike most of its NATO allies, the United States has opposed the naming of a special human rights reporter on Chile at the United Nations, and it has voted against U.N. condemnation of Chilean abuses. The United States should back the efforts of both the United Nations and the Organization of American States to improve human rights in Chile. Washington should also coordinate its embassy in Santiago with those of its friends and allies, so

that there is joint participation in such symbolic activities as the celebration of the tenth anniversary of the Catholic Church's human rights office—an event from which the U.S. Ambassador was noticeably absent last year.

Quasi-governmental and government-funded private organizations can help as well. For example, the Inter-American Foundation, an independent government agency, has a strong record of promoting democratic values and grass-roots organizations in Chile. Last year, instead of criticizing the foundation for not supporting groups close to the regime, Ambassador Theberge should have treated its program as an expression of the commitment to pluralism and democracy shared by the United States and the Chilean people. The private but government-funded National Endowment for Democracy recently made a boldly symbolic grant to *La Prensa* in Nicaragua, but in Chile its activity has been timid: it has bypassed opportunities to back human rights groups and democratic political organizations. Similarly, the government-funded AIFLD, the regional institute of the AFL-CIO, should stop dividing the labor movement, as it has been doing, and should try to strengthen the capacity of all workers to secure their rights.

In short, the United States should stop sending mixed signals to Chile. The Reagan administration must make it unmistakably clear to Pinochet and to all Chileans that peaceful political activities—across the political spectrum—should be legalized, that an early date for democratic elections should be fixed, and that the civil liberties essential to democratic participation should be respected. For now, Chileans have expressed their opposition to military rule with remarkable moderation and restraint. But the longer Pinochet remains in power, the greater will be the suffering of the Chilean people. Pinochet's intransigence only wears down the reasonableness of the moderate opposition and strengthens the appeal of the militant left, increasing the likelihood of political polarization and massive civil strife.

Earlier this year, in congressional testimony on Central America, Secretary of State Shultz admonished, "If we abandon those seeking democracy, the extremists will gain and the forces of moderation and decency will be victims." His warning would more aptly apply to Chile, with its large internal opposition committed to restoring civil, democratic government. The moderate opposition there does not ask that the United States organize a rebel force on the slopes of the Andes, mine the harbors of Valparaiso, or engage in military maneuvers in neighboring Argentina. They do not want, or expect, the United States to overthrow Pinochet.

What they seek is strong, consistent, and public U.S. support for ending repression and reviving political freedom.

If there is to be a democratic transition, Chileans themselves will make it. They may need years to succeed. But our being soft on Pinochet now is both morally indefensible and politically short-sighted. It alienates the great majority of Chileans from the United States and pits us against Chile's future democratic leaders. It also puts us on the side of a regime that will ultimately be viewed as an aberrant chapter in Chile's history. Finally, it cheapens U.S. support for democracy in Central America. Support for democracy, like opposition to dictatorship, is vitiated by double standards.

Chairman LUNDINE. The subcommittee will come to order.

I want to first recognize Mr. Bereuter for his delayed opening statement.

Mr. BEREUTER. Thank you, Mr. Chairman.

There are pro forma opening statements, and those that are not, and this is not pro forma, and I did want to give it publicly, because I am attempting to lay out some directions that I believe the subcommittee should take. I welcome the opportunity to once again discuss the use of United States votes in multilateral development institutions as instrument of American foreign policy.

I believe we are meeting to express our concern about the decision to change U.S. votes on Chile in the MDB's without concomitant improvements in the human rights situation in Chile. I would add my voice to those who question the rationale for that decision.

Many individuals or organizations find it difficult to accept our human rights law; after all, the Bretton Woods organizations and their regional offspring were created for the advancement of the world's economic health, not as a forum for political declarations.

It is useful to remember that we are the only country to instruct its Executive Director to use human rights as criteria for votes.

Section 701 is law, and it must be followed and respected. But this subcommittee should also consider the past effectiveness of section 701. Section 701 does not really provide a method of "measuring progress."

Don't we need congressional "direction," for voting patterns of this country for loans to countries with patterns of gross human rights violations?

Together with the administration, this subcommittee must consider whether, as presently constituted, section 701 is the best tool or legislatively mandated direction that we can develop to move a country closer toward democracy and respect for human rights and life.

Let's recognize realistically the defects of section 701 in meeting the real objectives of the Congress. Let's get on with a serious effort to write a better, more effective standard for the voting behavior of the executive branch in MDB deliberations.

Until we do decide to take action to change law, the criteria of section 701 is clear and it should be applied equally to dictatorships of the left and the right. I believe the Chilean Government has repeatedly demonstrated its willingness to violate human rights and therefore, the cause of the administration's actions on MDB loans to Chile is not very clear.

I want to personally welcome today's witnesses and thank them for taking time off their busy schedules. I look forward to their testimony. Thank you.

I have just a couple more comments that have been generated by the discussion that has already ensued. I believe that under section 701, as currently written, there is inadequate room for measuring improvements in human rights.

I believe that there should be room for more discretion, depending upon the nature of the activity to be pursued under the MDB loans, and some people think there is.

I have just reread the law. It is difficult to write a perfect law, but I am confident we can do a better job of writing the law than one we now have.

Mr. Torres has said there has never been an effort before the subcommittee to change section 701 and he is probably right, and I think it is time that we looked at it. I don't think it is acceptable for those people to, on a hard line position, say that section 701, as now written, is sacrosanct and neither is it appropriate for hardliners of another sort to suggest that we ought to delete section 701.

And I am going to make it as tough as I can in any kind of hearings we have for people not to be responsible for the position they take in either direction, on the need to improve section 701.

Chairman LUNDINE. Mr. Torres, did you also want to make something other than a token statement?

Mr. TORRES. Thank you, Mr. Chairman.

I appreciate your decision to call this hearing. There is almost a quality of nostalgia to Chile hearings. Members of the Congress remind the administration that the law says we cannot support funds to governments which grossly violate human rights, as all of us, including Mr. Conrow and Mr. Abrams, know that the Government of Chile does, and the administration counters with a lot of quibbling over the precise amount of discretion we can squeeze from the wording of the law.

Implicit in all of this is a complete lack of collegiality between Congress and the administration on the issue shown most recently when Treasury failed to even bother with the legal requirement that this subcommittee be consulted before the latest change in voting policy with regards to Chile.

This is a special time in Chile, as Senator Harkin earlier stated. The Acuerdo—the democratic accord of August—encourages hope for a more unified opposition to General Pinochet.

The demonstrations, especially by young adults, who cannot even remember Chile's long democratic tradition, are encouraging, and the slow-downs and the mass symbolic protests are encouraging, but what is not is General Pinochet's intransigence and the United States' reluctance to come down on the side of democracy in Chile.

Perhaps we cannot be part of the solution in Chile. Perhaps we are so committed to being anti-Communist rather than prodemocracy that we have no help to offer the Chilean people.

However, we can at least stop being part of the problem by ceasing to send U.S. taxpayers' money to bail out a dictator who is about as committed to American values as the KGB is.

Finally, I would like to remind our administration witnesses today here that the fate of their international economic initiatives and foreign aid requests is always decided by democrats, and we who provide the votes which pass these bills often have to withstand intense hometown pressure to make cuts in administration funding requests.

It is one thing for me to go home and say, I voted for foreign aid. It is quite another to defend paying for General Pinochet's regime, and unless you improve compliance with the letter and the spirit of the law, it will be difficult for me to support your funding requests in the future.

Thank you, Mr. Chairman.

Chairman LUNDINE. This morning, we would like to welcome the Assistant Secretary of State for Inter-American Affairs, Elliott Abrams, and joining Mr. Abrams is Mr. James Thyden, Director of the Office of Human Rights; and Deputy Assistant Secretary of the Treasury for Developing Nations, Mr. James Conrow, to present their testimony.

Mr. Abrams, Mr. Conrow, your entire statements will be made a part of the record. You may proceed as you wish.

STATEMENT OF ELLIOTT ABRAMS, ASSISTANT SECRETARY OF STATE FOR INTER-AMERICAN AFFAIRS, ACCOMPANIED BY JAMES E. THYDEN, DIRECTOR, OFFICE OF HUMAN RIGHTS, DEPARTMENT OF STATE; AND JAMES CONROW, DEPUTY ASSISTANT SECRETARY OF THE TREASURY FOR DEVELOPING NATIONS

Mr. ABRAMS. I would like to submit my statement for the record and talk for a minute.

This is a strange hearing from my point of view. Within the last week, I have had two interesting meetings, one of them with Gabriel Valdes, and the other with the Foreign Minister of Chile in Cartagena on Tuesday.

U.S. human rights policy toward Chile today is generally approved of by the democratic opposition and I can tell you from meeting with the Foreign Minister of Chile, it is not approved of by the Government of Chile, which considers it to be a much resented intervention in the internal affairs of that country.

The democratic opposition in Chile feels we are on their side, and the Government feels that we are also on the side of the democratic opposition.

I had to ask myself what you are talking about when you mention U.S. reluctance to come down on the side of democracy in Chile. I don't know whom you are talking to, because the Christian and Social Democrats, as well as the Cardinal, know that we are on the side of democracy in Chile, and so does the Government of Chile, Mr. Torres, so I find it very odd.

Here we have a policy which is increasingly clear to all the players in Chile, and which is also beginning to work. We wouldn't want to control internal affairs in Chile—it would be wrong for us to do so—but we have to make our position clear, and we have.

We have to use such influence as we have to promote change toward democracy and we are doing it.

I discussed the situation with a number of other Foreign Ministers in Cartagena, and there is a general feeling that, you might say, the ice is cracking a little bit, that one begins to see one thing we have promoted for a long time—unity in the opposition, a unified opposition in the Acuerdo Nacional and an important leading role for the church in bringing about that unity.

What is important is that the United States use its influence to promote democracy and that is what we have been doing.

I have been meeting with opposition leaders for the past 4, 5 years, and there is not one of them whom I don't know at this point, including both of the cardinals, and the message is very clear to them and very clear to the Government.

If it is not clear in Congress, that is regrettable, but it is not as important as it being clear in Chile.

I have to agree with Mr. Bereuter's statement. This is not a good law. If you ask the question, how many countries did the Carter administration declare to be gross and consistent violators, the answer is zero. They abstained on some votes, and that should tell you something is wrong with the law.

If no administration is working precisely with the terms of the law, it ought to be reexamined. It is not appropriate to make economic war on Chile. I have made this comment to the Cardinal, and I don't want to speak for him, but there is a great deal of support for that view in Chile. They don't want us to make economic war.

Making sure they can't renegotiate their debt is not what the opposition in Chile is in favor of. To the extent that the theory is that we should in fact try to impoverish a country, what is wrong with that is maybe sometimes we do, and maybe sometimes we don't, and we ought to ask the opposition for one thing and use it as a flexible instrument for another.

I wish we could talk about human rights policy toward Chile, because I am damn proud of that policy, and more and more people there are seeing exactly how positive a policy that is, in Chile.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Abrams follows:]

PREPARED STATEMENT
OF
ELLIOTT ABRAMS
ASSISTANT SECRETARY OF STATE
FOR
INTER-AMERICAN AFFAIRS

Mr. Chairman and Members of the Subcommittee:

It is a pleasure and a privilege for me to appear before you today in response to your invitation to discuss US policy toward Chile as it applies to US votes in international financial institutions regarding loans to Chile.

Before turning to your specific interests, I would like to say a little about the policy framework in which we operate when considering these issues for Chile.

United States government policy toward Chile is straightforward and unequivocal: we support a transition to democracy. This reflects our strong preference for democratic governments in general and the centrality of democracy and economic development to our policy in Latin America. We believe that the most effective means to pursue many varied interests in Chile -- including regional security, curbing narcotics trafficking, promoting trade and cooperation on international issues, and fostering human rights -- is to encourage the restoration of democracy. We believe this can happen on terms that are worked out by Chileans themselves, and which are satisfactory to the large majority of Chileans who want a stable democratic society, where human rights are protected.

We would like to see Chile participate very soon in the surge toward democracy which has been sweeping the hemisphere. We also know that we cannot impose on Chileans when and how this will occur. But we can help them to make it happen sooner by implementing a prudent foreign policy which actively pursues all possible ways of encouraging dialogue and moderation, which at the same time avoids actions on our part that exacerbate tensions in Chile.

While the vast majority of Chileans want to return to democratic government, there is considerable difference of opinion within Chile over the timing and procedure concerning a transition to democracy.

Chilean government leaders say they are committed to a transition to a genuine democracy, and we will continue to press them to carry out their commitment. We consider it reasonable to expect to see tangible evidence of steady movement toward a transition to civilian rule. Such expectations represent neither interference in Chile's affairs, nor a policy of passive acceptance of military rule. A broad consensus in the country must be developed as a necessary foundation on which to build stable democratic institutions.

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We have spoken out publicly numerous times in support of these objectives. Earlier this year President Reagan made public his concern over what he termed entrenched military rule in Chile. We have also conveyed our concerns in private conversations with Chilean government representatives. The Government of Chile knows our views regarding the need for a transition to democracy.

In recent months a development took place with positive implications for Chile's transition. In late August representatives of a diverse group of democratic political parties, encouraged by the Catholic Church and many other leaders, came together to endorse a new, pragmatic set of proposals on a transition to democracy. The result was an agreement known as the National Accord, which has since gained the support of labor unions, professional associations and many prominent Chileans. The Chilean government has recognized certain positive elements in the Accord, but has yet to respond positively to the offer of dialogue implicit in the Accord's proposals.

The Accord represents a major advance in the process of dialogue and reconciliation that Cardinal Fresno and many other Chilean leaders have encouraged. It is also a useful departure point for further progress toward developing a broad-based consensus on a peaceful and orderly transition to democracy in Chile. We have welcomed the Accord, have publicly called upon leaders in Chile to respond constructively to this development, and are following the situation closely to see how the government and opposition proceed. We hope that all Chileans concerned about the future of democracy in their country will look past elements of disagreement and build on the positive elements they see in the Accord.

I have emphasized our support for democracy because this is central to the decisions we make on specific issues concerning Chile. Other important elements include our general concern for eliminating human rights abuses wherever they occur, and our desire to support sound economic policies which promote economic growth, take into account market realities, and encourage responsible management of debt. Precisely because full respect for human rights is not apparent in Chile, efforts to encourage a transition to democracy take on greater importance. We believe the best guarantee that human rights will be carefully protected is provided by the establishment of representative and responsive democratic institutions.

The human rights situation in Chile still causes serious concern, although certain positive changes have occurred since June, when a state of siege was lifted, leaving in effect less severe restrictions on constitutional protections under a state

of emergency. The differences are particularly noteworthy in areas of freedom of expression and judicial review of government actions.

Removal of the state of siege limited somewhat the government's powers to enforce prior censorship and has brought significant improvements in the area of freedom of the press. Although the government is still empowered with broad authority to suspend constitutional guarantees under the state of emergency, since June that authority generally has been exercised with restraint. In fact, there is now a relatively open debate in the Chilean media over the National Accord. The President of the opposition Democratic Alliance, Gabriel Valdes, in September expressed his views on the Accord in a speech broadcast over a national radio network. Two weeks ago Valdes addressed a protest rally in Santiago which attracted tens of thousands of Chileans demonstrating peacefully in support of democracy in the largest outdoor meeting held in Chile since 1973. It is noteworthy that the government permitted the purchase of radio and television time to advertise the gathering. However, the government later denied the Democratic Alliance permission to hold a similar demonstration in the southern Chilean city of Puerto Montt. Moreover, restrictions on the media, especially television, continue to hamper fully open dialogue, as does the threat of prosecution should the government find certain published views or political activity objectionable.

Lifting the State of Siege also restored judicial review of certain executive actions under the transitory provisions of the 1980 Constitution. Furthermore, in recent months Chilean courts have demonstrated some independence and diligence by investigating several important cases of human rights violations potentially involving members of the security forces. As a result of a court investigation into a number of kidnappings and the murder in March of three members of the Chilean Communist Party, a judge ordered the detention of seven Carabineros, including two colonels. This prosecution provoked a sweeping shakeup in this police organization and the resignation of the Carabinero Commander, also a Junta member. Such investigations suggest that over time Chile's judicial system could bring about significant improvements in the human rights situation provided the courts are permitted to operate independently and exercise full authority.

Another positive change was the announcement by Chilean Foreign Minister Jaime del Valle that the Chilean Government intends this year to cooperate fully with United Nations Special Rapporteur for Human Rights in Chile Fernando Volio, the former Costa Rican Foreign Minister. For the first time

since the UN established the office of the Special Rapporteur for Chile in 1979, the Chilean government has agreed to permit the Rapporteur to visit Chile. Government authorities have provided assurances that Volio will be free to conduct this visit as he wishes. In addition, they have indicated that the Chilean government is prepared to adopt the recommendations contained in Volio's preliminary report. We hope that the government adopts all the recommendations of the Special Rapporteur and sees to their prompt and full implementation.

Implementation of these recommendations could produce a positive impact on other elements in the human rights situation that cause serious concern. Although judicial review of government actions is greater now than before June, the government retains the ability to act in certain matters without judicial review, and has continued a policy of sending some of its critics and opponents into internal exile by administrative decree. While we welcomed the decision in September of the Chilean government to allow five hundred more Chilean exiles to return, we hope the government will work to resolve the situations of the several thousand Chileans who are still barred from returning. The media has been allowed greater freedom of action but political freedoms and civil liberties are severely limited under the states of exception that remain in force. The government has promulgated one of the political transition laws provided for by the 1980 constitution, regarding an electoral tribunal, but no progress has occurred toward legalizing political parties, passing an electoral law or reestablishment of electoral registers.

Violence from many sources continues to plague Chile. Anti-government terrorism continued even under the State of Siege. Court cases such as that affecting the Carabineros represent an advance but are also evidence of the persistence of abuses by security forces. The frequency of terrorism and other violent acts has made progress on all human rights issues much more difficult.

Incidents of violence have occurred in conjunction with anti-government protests, in which circumstances are often unclear and responsibility for specific acts difficult to determine. Hundreds of people have been detained, although in most cases only briefly, in connection with political protests this fall. Protests at the beginning of September this year left ten dead. Five people were killed in November demonstrations called for in part to protest the detention of six labor and neighborhood organization leaders charged with responsibility for the September protests.

Reliable reports of torture and mistreatment of those detained by the authorities continue to be received by human

rights organizations. Since June there has been an increase in charges by human rights groups and government opponents of temporary kidnappings, beatings and torture by unidentified persons. Churches have been bombed or attacked with gunfire, priests and lay workers physically threatened or attacked. Responsibility for these attacks and threats is difficult to place, but some appear to be the work of a right-wing terrorist group called Chilean Anti-Communist Action. Human rights groups charge that Chilean intelligence or security forces are involved. Identification and swift prosecution of those reponsible is the most effective answer to such allegations.

During the same period, the Communist Party-linked Manuel Rodriguez Patriotic Front (FPMR) has continued its program of violence, including a car bombing against the consular section of the US Embassy in July, which killed a bystander. The FPMR and other terrorist organizations have carried out and taken credit for hundreds of violent acts over the past year, mainly bombings, which have resulted in the deaths of civilians as well as members of the security forces. Five civilians, a Navy officer, a uniformed policeman, and a plainclothes detective were killed in recent terrorist attacks.

Regardless of source or political orientation, extremist violence can only deepen the divisions within the country and impede an orderly transition process.

We take human rights considerations into account in determining how the US votes on loans by international financial institutions (IFIs) to a given country. Our standard practice is to consider each proposed IFI bank loan for Chile or any other country on a case-by-case basis. We then determine the US position on the basis of all relevant factors, including economic, human rights and statutory criteria. Inter-agency review mechanisms exist to ensure that both human rights and economic policy considerations are carefully factored in during the decision-making process. An inter-agency working group on human rights and foreign assistance, co-chaired by the Human Rights and Humanitarian Affairs Bureau and the Economic and Business Affairs Bureau at the State Department, meets regularly to review all upcoming loans in the IFIs. To consider financial and economic policy factors, the Treasury Department chairs a comparable inter-agency working group on multilateral assistance.

During the Reagan Administration the US has generally, but not always, voted in favor of IFI loans to Chile. For example, in December 1983 the US Executive Director in the Inter-American Development Bank opposed a loan for mining investment in Chile on the basis that the mining firms could

have borne the debt service costs instead of receiving an equity infusion from the government. Last winter and spring we abstained on three loans to Chile following a careful review of all relevant considerations, including the restrictions in effect at that time under the state of siege.

On June 18, after the Chilean government had lifted the state of siege restrictions, the United States Executive Director at the World Bank voted in favor of a $55 million dollar investment loan for a methanol project in which the US firm Signal Corporation is participating. Since then, again following the careful inter-agency review I have described, the US Executive Directors in the IDB and the World Bank have voted in favor of other loans to Chile including a $250 million dollar World Bank structural adjustment loan key to Chile's economic recovery efforts. We will decide future votes also on a case-by-case basis, using the aforementioned review mechanisms and criteria.

IFI loans are important to Chile, where the economic situation remains precarious. Since 1970 Chile has suffered the worst decline in its terms of trade of any country in Latin America. With the worldwide drop in commodity prices, Chile's export earnings have fallen dramatically. In 1984 Chile's export earnings were over one billion dollars below where they had been in 1980.

The economy's overwhelming dependence on copper, compounded by one of the region's highest per capita levels of external debt, has not allowed Chile to benefit as much as might be expected from its generally good performance in applying responsible stabilization policies, an area in which Chile has one of the best records in the Hemisphere. In 1982 and 1983 the Chilean economy declined by a cumulative 15%. Despite expansion of 6% in 1983, unemployment remains high, at about 14%, with another 9% of the work force dependent for survival on low-wage government make-work programs.

A two billion dollar financial adjustment program negotiated this summer with commercial banks, the IMF and the World Bank, in conjunction with a restructuring of foreign debt with private banks and some official creditors, may produce a modest growth that could ease some of the pain of necessary economic adjustment. Presently foreign banks are providing final commitments for 785 million dollars in new commercial bank credits in 1985-86, which complement a separate 300 million dollar commercial bank loan partially guaranteed by the World Bank. An IMF agreement which took effect in August provides 750 million Special Drawing Rights, and helps to assure foreign lenders that Chile will continue to follow rational macroeconomic policies to allow orderly servicing of a foreign debt of nearly 19 billion dollars.

The World Bank structural adjustment loan provides another means of monitoring Chilean economic performance over the next few years, further improving the prospects for continued sound economic policy and greater economic improvement. The Chilean government's free-market oriented policies have helped eliminate some of the traditional rigidities in the Chilean economy and have helped to establish a base for effective implementation of this loan.

In light of the precarious economic situation in Chile and the additional suffering that another downturn would impose on the Chilean people, we believe it is important to continue to support Chilean economic policies that seek continued adjustment in conjunction with growth of the private sector and responsible debt management.

Bringing about changes for the better in Chile's human rights performance is central to our policy toward Chile. Under present circumstances, denying the people of Chile international financial resources would deepen the country's problems, exacerbate social and political tensions, and weaken the process of reconciliation being actively promoted by the Catholic Church and other responsible sectors of Chilean society. We believe that it is important for those favoring Chile's return to democracy to encourage this fragile process of national reconciliation to take root. That will require moderation and flexibility on the part of those concerned, including Chile's friends abroad. Our actions are most helpful to the degree that we support the flexible resolution of the deep-seated differences in Chile, without reinforcing the positions of those who argue that differences are irreconciliable, or without in turn contributing to creation of new divisions.

Mr. CONROW. Mr. Chairman, I have no comment at this point. I will be prepared to respond to any questions you may have.

Chairman LUNDINE. Mr. Bereuter?

Mr. BEREUTER. That was quick. Whereas in the past, the United States could safely vote against a loan, knowing it would pass anyway, it is my understanding that some other countries, and I won't be more specific, because it is privileged information, and given to me in that fashion, are also now attempting to use human rights criteria in their voting decisions, and the results could, therefore, be that one day, one of these loans will be rejected.

Has this influenced or should it influence the United States in the way that it casts its votes under the direction given by the Congress, section 701.

Is that a factor?

Mr. CONROW. The facts are as you state them; there are a number of other countries which have cast opposition votes to loans for Chile in the various multilateral institutions, and they have done so for other countries, not just Chile.

Mr. BEREUTER. Apparently more are considering it?

Mr. CONROW. It is an ongoing review that all governments are doing in looking at the situation. There was a comment that I overheard when Senator Harkin was here; in which you asked the question about the charters of the institutions and their economic nature of the work that they do, and the implications of bringing in what amounts to a political issue into the deliberations. I think

one of the fine lines we have been able to draw in the past has been that essentially the United States is the only country to use its vote and voice to indicate a view on human rights in these institutions.

As a result, the basic decisions of the institutions have been economic in terms of their actions. To the extent that human rights gets to the point where a number of other member countries are casting similar votes, where you stop loans from going forward, that is a significantly different situation.

I don't know that I would necessarily say at the outset that I would be opposed to that because it depends on the case in question, but it would be a new development, one we have not had before, and we would have to give very careful consideration to it.

Mr. BEREUTER. I have a list of the United States voting activity on loans to Chile and in the various MDB's since 1976, and this is a statement more than it is a question. I notice on this list projects where the United States has cast a no vote, just by title, they raise some questions in my mind, and I want to examine them further.

Water supply, rural health, water supply, rural drinking water; and I have grave doubts that those are appropriate areas where the United States should be voting no.

I think they hurt the people of Chile when you have that situation. We have had others lately where this administration has not abstained and not voted no, projects clearly aimed at assisting the people in Chile, and I just want to express my view that abstentions and no votes in those instances are not appropriate, and I hope that you will continue to look very carefully at who is being helped by the loan that is being proposed, and when you are talking about loans that help the people of Chile, Uruguay, or any other countries, you will continue to be supportive as long as it is a reasonable project from every other standpoint.

Mr. CONROW. Those loans, of course, occurred in the previous administration, where they had a blanket position on opposing loans.

Mr. BEREUTER. It gives them a good record looking at the numbers, but I think those votes were inappropriate, and should not have been cast. It was a disservice to the people of Chile.

Mr. CONROW. We have attempted to distinguish what amounts to basic human needs types of loans, and others. Irrespective of the question of human rights, we look at the whole economic viability of individual loans and cast no opposition votes, accordingly.

If we feel that the economic rational for the project is not appropriate we will oppose it. As an example, I bring to the committee's attention that today in the Inter-American Development Bank, we are expecting a loan for Chile to come up for $130 million, on which the United States will be voting no on it for economic reasons.

Thank you.

Mr. BEREUTER. Thank you, Mr. Chairman.

Chairman LUNDINE. Mr. Levin.

Mr. LEVIN. Thank you very much. Mr. Chairman.

I have heard, Mr. Abrams, your forceful statement. Let me see if I understand the basic position of the executive.

If you feel a government is engaging in a pattern of gross violations of internationally recognized human rights, and it is not a basic human needs project, do you vote no?

Mr. ABRAMS. Under the law, if a country is declared to have a pattern of gross violation of human rights, you have the option of voting no or abstaining.

Mr. LEVIN. Do you vote no or abstain?

Mr. ABRAMS. If you have made that prior determination.

Mr. LEVIN. What does that mean?

Mr. ABRAMS. It means that the question of when human rights violations are of such a character and such a degree that the law requires that you vote no is a judgment call, and when you think you have got an effective, valid, hard-working human rights policy, it is a judgment call you are reluctant to make if it is going to blow your policy out of the water.

When do you reach that point, that you have to say much as we don't like to do it, the law gives us no other choice here. I want to note again that that formal declaration that somebody is a gross violator has never been made in any administration.

Mr. LEVIN. That may be, but what you are saying is, it is not really clear to me, what you seem to be saying is that the executive has an overall human rights policy, so it is reluctant to vote no or abstain if there is a pattern of gross violations, if it would blow that policy out of the water, so therefore, it does not.

Mr. ABRAMS. If we think that the law permits. Can I give you an example, in a relevant case? That is, in a case——

Mr. LEVIN. Relevant case.

Mr. ABRAMS. A government *X* has a bad human rights record, and has a loan they want us to vote, and comes to us and says 4,000 political prisoners will be liberated if you vote for that loan.

To me, as somebody who used to be in charge of human rights policy, that is a good deal, 4,000 people out of jail. Does the statute permit that?

Well, I am going to try to interpret the statute to free those 4,000 people and permit that unless I absolutely can't. That is the problem with the inflexibility of the statute.

The preamble to the statute says, you should try to promote progress in human rights. That is not a direct quote, but the terms of the statute tie you down—I assume because you don't trust us, that is, you, the legislative branch, don't trust us, the executive branch. You pay a real price for that.

Mr. LEVIN. You don't like its inflexibility. As a result, you find flexibility in the preamble, somewhere else?

Mr. ABRAMS. In the question of when to declare that there is such a pattern of gross violations that I have no choice but to vote no. It is not an automatic decision.

Mr. LEVIN. Where does the statute give you discretion to decide when to declare?

Mr. ABRAMS. The statute used to say consistent. Now it says pattern of gross violations. What is a pattern of gross violations? That is a judgment call. There is no rule that says, for example, the following number of unjust imprisonments constitute a pattern. It is a judgment question.

There is, in a sense, a little flexibility in that, because we have to exercise judgment, and we try to do it in a way that is consistent with the statute, but also consistent with an effective human rights policy, and it is not always easy.

Mr. LEVIN. The statute does not give you the authority to determine whether there is a pattern of gross violations consistent with your general human rights policy, just doesn't give you that authority.

Mr. ABRAMS. I would agree with that.

Mr. LEVIN. You use it anyway?

Mr. ABRAMS. The preamble says that we shall advance the cause of human rights, and it is a problem when the required vote retards the cause of human rights.

I would agree with you in your statement, but the question of when there is a pattern of gross violations is not a mathematical question, but a political question.

Mr. LEVIN. Is there a pattern of gross violations in Chile today?

Mr. ABRAMS. If there were a pattern for purposes of the law, that we wish to declare, we wouldn't be able to make these votes.

Mr. LEVIN. Which you wish to declare.

Mr. ABRAMS. We have never made such a determination, nor did the Carter administration, including with regard to the Soviet Union.

Mr. LEVIN. I think it is clear what you are doing.

Mr. ABRAMS. I am trying to advance the cause of human rights in Chile.

Mr. LEVIN. Forgetting for a moment whether the statute is right or wrong, wise or unwise, you are not following it in my judgment. There is no other way to read your testimony.

Let me tell you why there is mistrust, you said the law is written rigorously because you are not trusted.

Mr. ABRAMS. We, the executive branch, because it is an old law.

Mr. LEVIN. OK, there was a word taken out in recent years which reflects that, and I think you are right, and I would like to just, if I might, read a few statements from your testimony to indicate why the reaction among some of us, and I am most willing to work with Mr. Bereuter and others, to see if the statute is effective.

In the meanwhile, you should start following it, but let me just read to you some of your language to indicate why the mistrust is deep and why there is a feeling here that when it comes to certain governments, you hedge.

By the way, when you say economic sanctions should not be used, I was tempted to ask you about South Africa, where your policy once was don't use economic sanctions either, and then you shifted rather quickly, the executive did.

Let me just read you, though, a bit of your language, and I tried to pick it out.

Senator Harkin referred to one, while the vast majority of Chileans want to return to the democratic government, and he goes on, there is a difference of opinion over the timing and procedure concerning a transition to democracy.

That doesn't capture what is happening in Chile today. It is not a disagreement. The parties are not badly split. It is really the basic

units, including the political parties, versus the Government on this.

Mr. ABRAMS. The political parties are split on the question of whether to live under the constitution or not.

Mr. LEVIN. The real division is within the parties in the Government, not within those parties. The statement doesn't capture what is going on today, on the disagreement over implementation of the accord.

You say precisely because full respect for human rights is not apparent in Chile, is not apparent in Chile. People sensitive—and I am not saying you are insensitive—people sensitive to human rights violations, doesn't say precisely because full respect for human rights is not apparent in Chile today.

It is precisely because there are, because it is apparent that immense violations are occurring today in Chile.

Mr. ABRAMS. Would you call it an entrenched military regime? That is what the President called it. You are quibbling with my language. I am concerned about Chile.

Mr. LEVIN. So am I, and I am saying there is not a sense of outrage in that statement. It is equivocal, it hedges, it shades. The human rights situation, you go on to say, in Chile still causes serious concern, although certain positive changes, that human rights still causes, and there is so much further to go than they have gone, and I say that that kind of a statement, it comes down too softly on what is going on today in Chile.

Mr. ABRAMS. You ought to talk to the Chilean Foreign Minister, because he doesn't find it very soft at all. He has seen so many dozens of statements of ours that they once commented to me they thought we had made more statements about Chile than Afghanistan, and they are right, I think.

If you look at the statements made by the briefer at noon in the State Department, that may well be right.

Mr. LEVIN. Why don't you just say that human rights conditions in Chile today are terrible?

Mr. ABRAMS. They are very bad in many ways, and getting better.

Mr. LEVIN. How bad are they?

Mr. ABRAMS. How do I answer that question?

Mr. LEVIN. How outraged are you by them? You started off with a personal statement today, and it is effective for you to come in and say that. I want you to tell me in simple English how outraged are you by the conditions today?

Where is the balance between the status quo before improvement? How far do they have to go? How lousy are they? Tell me in the same human terms that you said at the beginning.

Mr. ABRAMS. If I thought that doing that would hurt our human rights policy in Chile, I wouldn't say a word, because that is what takes first priority.

We do not have the luxury in the executive branch of saying things, even if they are true, if the net effect is to retard human rights progress in a place like Chile. Human rights progress is my goal, not to sound off against the Government of Chile.

Outraged, yes; primarily because torture continues. It declines in the number of cases, but it continues and everybody should be out-

raged if there is one case of torture. There are some things that the Government of Chile cannot put a stop to overnight, and there are some things that it can, and that is one of them and that should cause outrage in everybody, and that is in a way the worst single aspect of the conduct of the current government. But you know how bad it is?

The days before the dictatorships ended in Uruguay, Brazil, and Argentina, it was terrible, and the next day, they were free countries after the inauguration of their Presidents. That is what we want to see happen in Chile, and we don't get a lot of credit for the fact that all of that happened under President Reagan.

Nobody ever seems to stop to say how bad can this policy be from the top, when, country after country is turning into a democracy. That is what we are pushing in Chile. Progress is being made and we are helping it, and we are in close touch with the opposition and with the Government.

I don't want to say anything here that destroys my ability to work with the Government of Chile, because we have to work with them as we worked with the Governments of Uruguay, Argentina, and Brazil to achieve the transition to civilian, democratic rule.

That is the goal. Everything else takes second place. I have to repeat, it really does take second place. The goal is the transition to democracy, and other human rights achievements, with the exception of torture, have to come with that goal.

Torture needs to be addressed additionally.

Mr. LEVIN. Torture outrages you. What else? Murder? I assume that does. I am not trying to embarrass you. The flavor with which you come to issues, you are saying in essence it is not the statutory language anyway, because you look at your overall policy—what else outrages you about what is going on in Chile?

Mr. ABRAMS. I think our annual human rights report makes clear that there continue to be abuses. We always are more outraged by the physical abuse, torture, and murder, and other forms of bodily harm, and in the sense that it is easier for people to live with a regime that does not permit free elections than it is to live with a regime that tortures and murders. Again, the numbers in many categories are going down.

We would like to see this Government leave and be replaced by a civilian, democratic government. It is what we wanted in Argentina, Brazil, and Uruguay, and for that matter, from El Salvador to Guatemala, Honduras, Peru, Bolivia, that has been our goal, but the purpose of human rights policy is not to express outrage.

The purpose is to achieve change. You can express the outrage; that is a key role of Congress, in my view—to help us by expressing the outrage. But our role is to express the outrage when it helps the policy and to shut up if it doesn't help the policy of achieving human rights advances.

We have different roles.

Chairman LUNDINE. I am going to have to ask that the gentleman yield, because I don't think I am going to get to ask any questions.

Mr. LEVIN. I am finished. I would like to pursue this issue.

Chairman LUNDINE. I would, too, and the gentleman understands my problem, that both the witness and I are under time constraints.

Mr. Torres.

Mr. TORRES. Mr. Abrams, I sense that you were somewhat dismayed by my opening statement in terms of the way that you made yours. I have to tell you that, as you just said, I am outraged. I went to Chile and had a long meeting with General Pinochet, and I worked in Chile for many years and I know the Chilean people. I am concerned about what is happening there. In my dialog with the President, he said in so many words: "I don't need Congressmen to come down here and meddle in my affairs, you know."

That was my sense of outrage. I wasn't intervening in his affairs of state, but I was making the point that there was concern in this Congress about the comportment of the Chilean Government, and he says:

> Look, I will run this country with a tough fist. I will do as I want to do, I am President for life, or at least until 1988 or 1989, and I am going to be reelected again, because the people like me, and because they like me I am going to do as I want. You are incensed about torture and murder but I have to do those things, because they are murdering policemen, because they are throwing bombs.

I couldn't get him to see our position, and he, in so many words, said: "Go fly a kite." You feel democracy will bring human rights, but can it spring up in an atmosphere of Government-sponsored torture and murder? What good are the kinds of discussions you have with Mr. Valdez and other opposition leaders, if after there are elections the candidates are killed or jailed?

Your own report states that torture and police brutality continue to be a serious problem in Chile, and torture by the security services, particularly the CNI, in actions related to its antiterrorist mandate, is apparently permitted by the Government. Also cited in this report were the Government's use of arbitrary arrests, detention, and internal exile without trial, violations of the peaceful assembly and association statutes, among other things. To give the Government of Chile millions of dollars for nonbasic human needs spending must give them some sense that we are not really mad at them.

So, in light of all of this, in light of these internationally recognized human rights abuses cited in your own report, how can you justify the decision to vote in favor of loans to Chile?

Mr. ABRAMS. It is crystal clear to me from my discussions with the Government that they do feel our pressure, and understand our policy, and that policy is to come down clearly on the side of democracy in Chile. What I was particularly—we are using the word "outraged" too much, but—offended by was about U.S. reluctance to come down.

The President calls it an entrenched military regime. That is not going to be real popular in the Government of Chile when they hear that from President Reagan. They have heard it time after time from the State Department, from me, and the opposition knows it, and the Government of Chile knows it, and it is very, very clear that we have come down time after time on the side of democracy in Chile.

With regard to these loans, I have indicated, first of all, that we do not think, and this is true of South Africa, too—economic warfare is inflexibly the policy to be applied to advance human rights policy. We hope that is not true in the case of South Africa, too.

You met President Pinochet, and there is an issue of tactics here as to what tactics for us to use to get the greatest progress in human rights in Chile. Is there going to be the kind of progress all of us want until there is a democratic government? No, there is not. I am startled by the testimony. We have been through this in Argentina, Uruguay, and Brazil, and we had the same damn accusation, that we are not for a transition. It was false then; we worked with the opposition, and the government, because you have to work with the military when they are in control, and we all came to a good end.

Democracy was restored, and the credit goes to the government and the people of these countries, but we were on the right side and the track record proves it, and what startles me is the sort of assertion and assumption here somehow after this unbelievable track record from Peru, to El Salvador, Argentina, Uruguay, and Brazil, and still we get these accusations we have no human rights policy.

I don't get it. It amazes me.

Mr. TORRES. Well, this just didn't happen. As you stated, as I hear the discussion here, all the adverse, negative things we have talked about happened in the Carter administration, and now that we see this dawning of democracy in Latin America, all of a sudden it has happened in this administration, and I happen to be fair about it. It was both administrations, and even the one before that that started on this track.

Mr. Reagan has been the beneficiary of a lot of work that was done up front on this, but I am still concerned that this condition prevails in a country that—as I said, I visited, and I know. I understand what is happening, and I deplore it.

Mr. ABRAMS. Well, I agree with you.

Chairman LUNDINE. Is the gentleman completed?

Mr. TORRES. Yes, thank you, Mr. Chairman.

Chairman LUNDINE. Mr. McCandless.

Mr. MCCANDLESS. Mr. Secretary, I don't want to belabor an issue. You said in your comments that if you had it within your jurisdiction with respect to the wordage of 701, if somebody said they would release 4,000 people, that would be a good deal. Does this represent a policy that if we could leverage with money something like that, that this is what we would do if we had the authority to?

Mr. ABRAMS. For the most part these are symbolic votes. In the Carter administration, all of those loans went through, so it was a matter of symbolism, not money. I would trade the symbolism for the freedom of 4,000 people. What are you doing when you give aid to Romania, trading something economic for something on immigration, a human rights trade.?

It is not a direct financial trade, but has aspects of that. We need a little flexibility which is not expressed in the law.

Mr. MCCANDLESS. Doesn't that encourage the government to take the necessary steps to put in place the bargain tools such as this,

for purposes of our discussion, to go out and arrest 5,000 people 3 weeks prior to, and say we will release them?

Mr. ABRAMS. I would doubt it, because of the internal impact of arresting several thousand people. It is plausible, that the timing of various events would be changed. For example, if they were going to prepare a Christmas amnesty, they could say wait a minute, why don't we go to the Americans and get something from them.

This arises constantly in United States-Soviet relations. What are we prepared to do to get the freedom of Sakharov? It is a very tough problem in human rights policies.

Mr. MCCANDLESS. Foreign policy versus MDB policy, you got a problem. In your statement you go into comments about the right-wing terrorists, and leftwing problems that are on the government with expect to these activities, and you conclude by saying that regardless of the source of political orientation, extremist violence being can deepen the division within the country and impede an orderly transition process.

We are getting into foreign policy now, but what can we do, or do we have another El Salvador? What can we do to reverse this and to put Chile in that page with the rest of these that we have assisted in moving from this possession to a better position in an—where are we? What can we do?

Mr. ABRAMS. We don't have the kinds of influence we do in El Salvador, which is much closer and much smaller—not a comparable situation. What we do need to do is encourage flexibility on the part of the government by, in a sense, continuing to hammer away at these human rights issues, and encourage flexibility on the part of the opposition, because as of a year ago, they were very divided. The agreement on common principles is the great thing about the acuerdo nacional.

You see them coming together in a way that shows people they are going to be a responsible government some day. You want to achieve the widest possible support by the opposition for the transition to democracy, from left to right. When it looked a few years ago as if they couldn't get their act together, that deterred a lot of people from thinking they were going to be able to govern the country some day.

The more unified the manner in which they act, the better that looks, and now, in fact, I think there is a tremendous amount of unity in the opposition. We have to encourage that.

Mr. MCCANDLESS. One more quick question. In Senator Harkin's prepared comments, he concluded by talking about the United States' needs to place itself squarely behind ending repression by using the votes in the MDB's; and he concludes the Chilean opposition desperately needs such policy. If I understood your opening remarks that was about 180 degrees from Senator Harkins' comments?

Mr. ABRAMS. He seems to think, from his testimony, that the best way for us to go about helping the opposition achieve a transition to democracy, free elections, is these MDB votes. I don't think that is right. I think we can make our position crystal clear in many other ways, and, as I said, we are doing it, and they know it now.

If I have a criticism of Senator Harkin's testimony, he is behind the times. He is talking about a situation that may have existed a number of months ago, but does not exist any more, partly because there are a lot of new personnel involved now—me, for example, and a new ambassador in Santiago. There is a sense on the part of the opposition to take a new look at the U.S. policy because the people have changed.

They have come to take a new look at it, and understand how clearly we are on the side of democracy in Chile.

Mr. MCCANDLESS. Thank you.

Chairman LUNDINE. Mr. Morrison. I would like to ask Congressman Morrison if he can be brief.

Mr. MORRISON. I want to ask you about how the Department of States' expressed concerns about Inter-American Development Bank assistance to Nicaragua relates to the way in which you view the situation in Chile. Earlier this year, the Secretary of State wrote to the Bank expressing concerns about a $58 million loan that was being considered at that time, and as I understand it, is still held up in the present vote posture within the Bank.

I would like to know first whether—exactly what the source of that concern at that time, since, of course, events have changed in Nicaragua, what is the source of that concern and how does it compare to our concern about the human rights in Chile? Are there human rights concerns with respect to Nicaragua that are involved in this occasion or not?

Mr. ABRAMS. I will ask Mr. Conrow to answer because I am not as familiar with that case. I was not in this position at that time.

Mr. CONROW. I would be happy to.

The letter that you are referring to that Secretary of State Shultz sent to the Development Bank touched on a number of important factors, the first and foremost of which was the expression of concern about the inadequacy of the economic policy being carried out in Nicaragua, which Department of Treasury fully concurs in, as communicated on a number of occasions.

Second, he was indicating some concern as well about the fact that here was a government that was in arrears or nonpayment to other international financial institutions, the World Bank and the IMF, where Nicaragua was not honoring their obligations to those institutions, and there was a question about consistency of approach, when the country was not repaying other loans.

Third, and this caused most of the concern, the Secretary pointed out to the Inter-American Development Bank that approving a loan to Nicaragua would undoubtedly have problems with the U.S. financial support to the institution, in terms of congressional opposition, and the Secretary made that point very clear. You cannot look at these things in a vacuum, but you have to be aware of implications. For the institution to bring forward a loan for Nicaragua would have a political effect within the United States, and you ought to be aware of it in advance.

Mr. MORRISON. This is prior, or this letter was written prior to the President's embargo with respect to Nicaragua in January 1985?

Mr. CONROW. Yes.

Mr. MORRISON. And it was prior to any vote in the Congress to modify or repeal the Boland amendment. In other words, this was during a period of time when the policy of the United States in law was that we were not—we were not assisting. And it was improper to assist Contras, and that was the position the Congress has taken. So I am a little confused by your statement that the Secretary of State had to tell the Bank that the Congress would be mad if there was any assistance to the Government of Nicaragua, since the context of the debate in the Congress was that we ought to be engaged in some constructive process through the Contadora process, and otherwise to promote a negotiated nonmilitary settlement to our disagreements with the Government of Nicaragua.

Let's not discuss this letter as if it were written yesterday, because it wasn't and what we are trying to get at here is not the specific policy with respect to Nicaragua, but where the thinking of the administration is as to the political versus the economic consideration of MDB loans.

Mr. CONROW. All we are saying is we will look at loans to Nicaragua on a case-by-case basis as we do for anyone else, and when a loan for Nicaragua comes out of the management of that institution and is put before the board, we look at the loan documentation and make an analysis based on economic conditions, not political considerations. At the same time, if a loan for Nicaragua comes up, it will obviously be looked at by the human rights working group as well.

I can't judge at this point what decision will be made in that group. That is a separate issue. We will cast our vote according to the economic considerations. The loan has not come forward. There are technical problems with that loan. There are problems with doing anything economically that makes sense in Nicaragua today because the policies of that country are totally out of line.

Mr. MORRISON. I am not interested in having that debate at this time. It would take several days, I am sure, and I am not sure that we're all prepared for that debate. What I am trying to get at more is the process here by which the Secretary of State wrote a letter that clearly was a little saber rattling.

I mean this was not your routine little thing, a communication from the Secretary of State on behalf of the Government of the United States saying we are not very interested in seeing you move forward in a loan to Nicaragua, and it is a lot more efficient to do that than to wait and vote, and a vote may just be symbolic.

Are there any letters like this about any Chilean loans. Do either of you know of any letters hat have ever been sent about the situation in Chile, maybe we ought to go slow?

Mr. ABRAMS. They have generally pursued a good economic policy.

Mr. MORRISON. The answer is, no.

Mr. ABRAMS. The answer is, no.

Mr. MORRISON. OK, the answer is no. The point is that Mr. Conrow said to me that there were economic considerations and there were political considerations. He didn't say that this was just economic, and it isn't an economic letter because it says money is fungible, and they can use it to enforce their Marxist policies, and

the same thing can be said about Chile, and they can use the money for their torture, because you know, money is fungible.

We are really talking about the same thing, even though we are very skilled at putting language together that reflects our particular ideological point of view. Why haven't we used this kind of an approach in Chile, if it is such a good idea, to raise both the human rights questions, and I don't think that Chile's economy has been run with all of that; that we would like to praise that as a perfect economic model either, and they have had some trouble with their repayment schedules as well. So to suggest that Nicaragua somehow has repayment problems, and is not going along wit the international lending institutions and all these other countries—Peru, Brazil, Chile, have all been conforming to everything that they have been asked of. That is just not the case.

Mr. ABRAMS. I disagree on the economic side. Nicaragua is the only country that is pursuing a Communist economic policy, the goal of whose government is to pursue a policy which we know—and when I say we, I don't mean only the United States—has never worked any where, cannot and will not work, because that kind of system is incapable of producing.

Mr. MORRISON. Is the PRC in that category?

Mr. ABRAMS. Less and less with every passing day fortunately.

Mr. MORRISON. They are not Communist any more?

Mr. ABRAMS. Well, no.

Chairman LUNDINE. The gentleman's time has expired.

Because of my policy of allowing the other members to question first, I don't get to ask any questions. Let me just make a statement, Mr. Abrams, and I won't ask you to respond or I will miss my vote. But to paraphrase something you said which troubled me in your oral remarks, you said it is more important what the opposition in Chile thinks than to satisfy the Congress on our human rights policy, I believe, if I understood you correctly.

My concern is this: There is a legal requirement for consultation. That was clearly abridged by this administration with respect to Chile in June of this year, and if you can't understand the hostility you get when you come up here, maybe the lack of consultation has something to do with that, and either the law ought to be changed, or else it ought to be complied with, regardless of the relative merits of the views of the opposition in Chile and people in the Congress.

Second, answer in writing whether there was a direct relationship between the lifting of the state of siege and the state of the voting policy at the banks?

Mr. ABRAMS. I did not mean to express uninterest in the views of Congress, but only to say that there is a real world out there, and, in a way, what is most important is that policy comes through to the people who are working in Chile rather than up here. But on the consultation point, we will get back to you in writing.

Chairman LUNDINE. Thank you, I would ask if there are additional questions asked in writing, that you will do so.

[Whereupon, at 12:35 p.m., the subcommittee was adjourned subject to the call of the Chair.]

[Letters with attached written questions from Chairman Lundine to Mr. Abrams and Mr. Conrow with their responses follow:]

STAN LUNDINE, NEW YORK,
CHAIRMAN

JOHN J. LAFALCE, NEW YORK
MARY ROSE OAKAR, OHIO
SANDER M. LEVIN, MICHIGAN
ESTEBAN E. TORRES, CALIFORNIA
WALTER E. FAUNTROY, DISTRICT OF COLUMBIA
BRUCE A. MORRISON, CONNECTICUT

BRUCE BENDTSEN, NEBRASKA
MARGE ROUKEMA, NEW JERSEY
AL McCANDLESS, CALIFORNIA
JIM KOLBE, ARIZONA
J. ALEX McMILLAN, NORTH CAROLINA

U.S. HOUSE OF REPRESENTATIVES

SUBCOMMITTEE ON
INTERNATIONAL DEVELOPMENT INSTITUTIONS AND FINANCE
OF THE
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
NINETY-NINTH CONGRESS
WASHINGTON, DC 20515

December 16, 1985

Mr. Elliott Abrams
Assistant Secretary for
Inter-American Affairs
Department of State
Washington, D.C. 20520

Dear Mr. Abrams:

Thank you for your testimony before the Subcommittee on International Development Institutions and Finance on December 5th. I mentioned at the close of the hearing that I had some additional questions.

Could you please provide answers to the following questions:

1. Would you answer for me the question asked by Mr. Levin earlier in the hearing--In your judgment, a) has there been, and b) does there continue to be, a pattern of gross human rights violations in Chile? A "yes" or "no" answer to those two questions would be appropriate, although you should feel free, in addition, to explain your precise answers.

2. Was there an agreement made with the Pinochet government that in exchange for the lifting of the State of Siege, the U.S. would vote in favor of World Bank loans to Chile? Were there any discussions between the two governments about such an agreement prior to the June action of the Pinochet regime to lift the State of Siege?

3. How do you explain the fact that this subcommittee received notification that there would be a change in voting policy toward Chile only one day after Pinochet lifted the State of Siege?

4. Who in the State Department discussed with Treasury the decision to vote in favor of loans to Chile after June 16th? Which Treasury officials were in those discussions? When did those discussions take place?

5. Was there any written document which laid out the State Department position on the implications of the lifting of the State of Siege? Was that or any other document used to justify the change in voting policy? If so, please identify the documents relied on and describe their contents.

6. In your opinion, Mr. Abrams, would it not have been prudent to allow a longer period of time than a single day in which to judge the actual consequences of General Pinochet's action in light of his long-term record on human rights?

7. The reports which I have seen, especially the August 28 report by the Chilean Commission on Human Rights, document human rights violations in Chile since June. Since the June shift in voting policy, has there been further evaluation within the State Department of the human rights situation in Chile? If so, please state the conclusions of any such evaluation. If not, does the State Department have any plan to reevaluate the human rights situation in Chile and the consequences of the June policy shift?

8. Is there any plan to oppose loans in the MDBs as a response to the continuation of the States of Exception which basically provide Pinochet with the same powers he had under the State of Siege?

I would be grateful for your responses to these questions. As you know, they will be included in the hearing record.

Sincerely,

Stan Lundine
Chairman

SL/jm

United States Department of State

Washington, D.C. 20520

February 4, 1986

Dear Mr. Chairman:

In connection with the testimony of Assistant Secretary Abrams, before the Subcommittee on International Development Institutions and Finance of the Committee on Banking, Finance and Urban Affairs, on December 5, 1985, information for the record was requested. Please find herewith the information.

With best wisnes,

Sincerely,

William L. Ball, III
Assistant Secretary
Legislative and Intergovernmental Affairs

Enclosure:
As stated

The Honorable
Stan Lundine, Chairman,
Subcommittee on International Development
Institutions and Finance,
Committee on Banking, Finance
and Urban Affairs,
House of Representatives.

Q. Would you answer for me the question asked by Mr. Levin earlier in the hearing -- In your judgment, a) has there been, and b) does there continue to be, a pattern of gross human rights violations in Chile? A "yes" or "no" answer to those two questions would be appropriate, although you should feel free, in addition, to explain your precise answers.

A. We continue to have very serious concerns with respect to human rights violatons in Chile, and we voice these publicly with some frequency. As I noted in the hearing, there has never been a determination of a pattern of gross violations for Chile (or any other country) under either this or previous administrations. Loan votes are decided on a case-by-case basis, taking into account human rights, economic and statutory criteria. Votes should be used not to express frustration but to encourage progress on human rights and democracy.

Q. Was there an agreement made with the Pinochet government that in exchange for the lifting of the State of Siege, the U.S. would vote in favor of World Bank loans to Chile? Were there any discussions between the two governments about such an agreement prior to the June action of the Pinochet regime to lift the State of Siege?

A. Prior to the lifting of the State of Siege the government of Chile was cognizant, through discussions between our governments, that it was one of several impediments to our relations as reflected both bilaterally and through mulilateral financial institutions.

Q. How do you explain the fact that this subcommittee received notification that there would be a change in voting policy toward Chile only one day after Pinochet lifted the State of Siege?

A. Lifting the State of Siege was anpounced two days before a previously scheduled vote on an IFC loan. In deciding to cast our vote in favor of this loan we looked at several factors, including the lifting of the State of Siege.

Q. Who in the State Department discussed with Treasury the decision to vote in favor of loans to Chile after June 16th? Which Treasury officials were in those discussions? When did those discussions take place?

A. We do not believe it would be appropriate to furnish this information concerning the internal decision-making processes of the Executive Branch, though I want to assure you that senior policy-makers in both departments discussed this matter. To provide specific information would hamper the free expression of opinion in future policy discussions. We would like to note, as we have indicated before, that voting decisions concerning loans by international financial institutions are made on a case-by-case basis. There was no decision made to vote for all loans to Chile after June 16th.

Q. Was there any written document which laid out the State Department position on the implications of the lifting of the State of Siege? Was that or any other document used to justify the change in voting policy? If so, please identify the documents relied on and describe their contents.

A. The Department of State is constantly reviewing and updating the information on which we base our voting decisions in international financial institutions. Though, in general, we do not believe it is appropriate to disclose the contents of documents containing material relating to the State Department decision-making process, we can provide a copy of an unclassified June 18, 1985 State Department memorandum on Chile explaining our views, at that time, concerning the lifting of the State of Siege.

Q. In your opinion, Mr. Abrams, would it not have been prudent to allow a longer period of time than a single day in which to judge the actual consequences of General Pinochet's action in light of his long-term record on human rights?

A. The Chilean government announced the lifting of the State of Siege two days prior to a previously scheduled IFC loan vote. The U.S. has opposed loans to Chile before, and may do so again, to advance the cause of human rights and democracy.

This positive step by the Chilean Government was considered carefully, along with all other relevant factors, in our decision on how to procede on that particular loan. As I testified, removal of the State of Siege has had a positive effect on the human rights situation, although very serious problems remain. The human rights situation continues under constant review, and loan vote decisions continue to be made on a case-by-case basis.

Q. Is there any plan to oppose loans in the MDBs as a response to the continuation of the States of Exception which basically provide Pinochet with the same powers he had under the State of Siege?

A. No, although we do not rule out a future change in our position, on a case-by-case basis, should circumstances so warrant. The Government in fact does not have the same authority to restrict press freedom and civil liberties under the existing States of Exception as it had under the State of Siege. Since the State of Siege was lifted, we have in particular observed improvements with regard to freedom of expression. This difference became apparent in the month following the removal of State of Siege, when four suspended periodicals resumed publication. Television coverage of activities by opposition political groups has also improved.

Q. The reports which I have seen, especially the August 28 report by the Chilean Commission on Human Rights, document human rights violations in Chile since June. Since the June shift in voting policy, has there been further evaluation within the State Department of the human rights situation in Chile? If so, please state the conclusions of any such evaluation. If not, does the State Department have any plan to reevaluate the human rights situation in Chile and the consequences of the June policy shift?

A. Human rights developments in Chile are reviewed on an on-going basis. The current situation remains much the same as I described it in my December 5 testimony, with some positive elements visible but also with serious problems remaining. (The 1985 Human Rights Report, to be transmitted to Congress at the end of January, addresses this situation in great detail.) We keep in touch with responsible human rights organizations active in Chile, including the Chilean Commission on Human Rights and the Catholic Church's Vicariate of Solidarity organization, in our effort to stay abreast of developments.

S/S 8517942
United States Department of State

Washington, D.C. 20520

June 18, 1985

MEMORANDUM FOR MR. EDWARD STUCKY
TREASURY DEPARTMENT

SUBJECT: Chile and the State of Siege

Attached are the Department of State's views on recent actions taken by the Government of Chile concerning lifting of the State of Siege. We believe these views should be taken into consideration in determining the U.S. position on loans to Chile that will be considered by the IBRD this week.

for Nicholas Platt
Executive Secretary

Attachment:

As stated.

MEMORANDUM

SUBJECT: • Chile - State of Siege

The Chilean Government lifted the State of Siege effective June 17. This step returns the juridical situation to pre-November 6, 1984 conditions, i.e., Constitutional guarantees subject to provisions of the States of Emergency and Danger of Disturbance of Internal Peace.

Lifting of the State of Siege removes government authority to indefinitely detain persons without charge and to engage in prior censorship of the media. The latter is particularly important to the prospect for democratic political activity in Chile and progress on the transition to democracy.

Over the past few weeks the Chilean Government has released all persons being held at the Pisagua detention camp and closed that camp, which, at one point held 421 persons. With the removal of legal authority for indefinite detention, the remaining ten persons at the Conchi detention camp must either be released or charged and the camp closed. Approximately 45 persons remain in internal exile, down from a high of 257. The ninety-day sentences of these persons will expire over the the next few weeks.

Facing an impending economic crisis and encouraged by the United States and others, the Chilean Government has returned to the status quo ante, removing the specific legal provisions and easing the human rights concerns which conditioned our votes in the International Financial Institutions since November 6, 1984. On this basis, we believe it appropriate to lift human rights objections as one of the factors determining our positions on Chile loans in the International Financial Institutions.

This does not mean that we believe that human rights conditions are totally satisfactory in Chile. The human rights situation in Chile remains very poor and a source of great concern. However, the deterioration brought on by the State of Siege has stopped. Democratic forces have stressed the importance to political dialogue of lifting censorship. If the Chilean Government exercises restraint in applying its remaining censorship authority, progress may be made in advancing the democratic transition process.

Three loans are pending consideration this week: the $55 million Cabo Negro Project in the IFC on June 18, and the $140 million "A" roads loan and $300 million "B" roads loan in the World Bank on June 20.

On the basis of the developments I have noted above, the State Department has no objection to these loans on human rights grounds. We will continue to monitor carefully developments in this area and to advise you of any development affecting our voting policy.

STAN LUNDINE (D) NEW YORK
CHAIRMAN

JOHN J. LAFALCE, NEW YORK
MARY ROSE OAKAR, OHIO
SANDER M. LEVIN, MICHIGAN
ESTEBAN E. TORRES, CALIFORNIA
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U.S. HOUSE OF REPRESENTATIVES

SUBCOMMITTEE ON
INTERNATIONAL DEVELOPMENT INSTITUTIONS AND FINANCE
OF THE
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
NINETY-NINTH CONGRESS
WASHINGTON, DC 20515

December 16, 1985

Mr. James Conrow
Deputy Assistant Secretary
for Developing Nations
Department of the Treasury
Washington, D.C. 20220

Dear Mr. Conrow:

Thank you for your testimony before the Subcommittee on International Development Institutions and Finance on December 5th. I regret that there was too little time to thoroughly question you at the hearing. I would therefore appreciate answers to these additional questions.

1. On the Tuesday prior to this hearing the Washington Post had another major article on Secretary Baker's proposal to boost MDB loans by $9 billion over the next 3 years to confront the debt crisis.

It is apparent that under Secretary Baker's plan for increased MDB activity, the Treasury may well be coming to the Congress with requests for increased funding for the MDB's. Under these circumstances, shouldn't your department be making a concerted effort to deal conscientiously with the one piece of legislation in which Congress has expressed its clear intention about how that money is spent?

2. In a hearing before this subcommittee in 1981, your predecessor, Mr. Dawson made the following statement regarding the consultation stipulation in section 701:

"Clearly, the passage requires us to provide the notification in such a fashion that there can be a reaction and a reaction that would therefore allow a counterreaction."

Do you consider the notification to this Subcommittee on the decision to resume voting in favor of loans to Chile one day prior to the World Bank loan on June 18th to be an adequate execution of section 701?

3. Can you explain the failure on the part of Treasury to consult with this subcommittee prior to the change in voting policy toward Chile in June of this year?

4. What assurance can you give us that there will be a timely consultation, such as Mr. Dawson described, on decisions of this kind in the future?

5. Are there any written documents which would provide us with the rationale on which Treasury based its decision to resume voting in favor of World Bank loans to Chile immediately after the State of Siege was lifted in Chile? This would include any written directives to the Executive Director at the World Bank, for example.

6. If so, please identify those documents and describe their contents.

7. Section 701, subsection (g)(1) comprises the reporting requirement in all cases in which the United States Executive Director of an institution opposes any loan for human rights reasons. This subsection states that the report should include the reasons for such opposition, all policy considerations taken into account in reaching the decision to oppose such loan, and information as to how the decision to oppose such loan relates to overall U.S. government policy on human rights in such country.

The quarterly reports received from Treasury dated May 13, 1985 and August 9, 1985 contain no such explanation of reasons or policy considerations in the decision to abstain on loans for Chile although there were two loans during that period on which the U.S. abstained for human rights reasons. In fact, the only quarterly report which the subcommittee has on file since 1981 to attempt to do that is the report dated October 22, 1981. Could you explain the failure to comply with this stated requirement of the quarterly human rights report?

8. May we have your assurance that this information will be included in future quarterly reports on loan votes?

I would be grateful for your responses to these questions. As you know, they will be included in the hearing record.

Sincerely,

Stan Lundine
Chairman

SL/jm

MR. LUNDINE. On the Tuesday prior to this hearing, the Washington Post had another major article on Secretary Baker's proposal to boost MDB loans by $9 billion over the next 3 years to confront the debt crisis. It is apparent that under Secretary Bakers plan for increased MDB activity, the Treasury may well be coming to the Congress with requests for increased funding for the MDB's. Under these circumstances, shouldn't your department be making a concerted effort to deal conscientiously with the one piece of legislation in which Congress has expressed its clear intention about how that money is spent?

MR. CONROW. I believe the Treasury Department has, in fact, made a concerted effort to deal conscientiously with all provisions of public law concerning our participation in the multilateral development banks, including the provisions regarding human rights. Of course, we have had differences of opinion on the substance of human rights issues in certain countries such as Chile, but I don't think that those differences should be allowed to obscure the efforts we have made over the years to consult and otherwise cooperate on these matters.

MR. LUNDINE. In a hearing before this subcommittee in 1981, your predecessor, Mr. Dawson made the following statement regarding the consultation stipulation in section 701: "Clearly, the passage requires us to provide the notification in such a fashion that there can be a reaction and a reaction that would therefore allow a counterreaction." Do you consider the notification to this Subcommittee on the decision to resume voting

in favor of loans to Chile one day prior to the World Bank loan on June 18th to be an adequate execution of section 701?

MR. CONROW. Thoughout the past year, we have had an ongoing pattern of consultations with the Congress on the human rights situation in Chile. In January, 1984, for example, Assistant Secretary Mulford and others, including myself, talked very extensively with members of Congress and staff about the situation in Chile. At the time, it was clear that the state of siege, imposed the preceding November, was a matter of central concern.

The events of the week of June 17, have to be seen in light of this ongoing pattern of consultations. On Monday, June 17, Chile lifted the state of siege, which meant the Chilean Government would no longer have authority to indefinitely detain persons without charge or to censor the media in advance. On that same day, Treasury staff informally advised committee staff of a World Bank loan scheduled for Board vote on the following day, Tuesday, June 18. That loan followed so quickly after the lifting of the state of siege that it would have been singularly difficult to arrange full consultations with the Congress; and we did wish to support the loan to signal the Chileans our support for this important step towards improved human rights. On Wednesday, June 19, Deputy Assistant Secretary of State Michel and others consulted with the Congress on developments in Chile in the human rights area, and explained

the change in our policy. At that time, Subcommittee members appeared to accept the points that had been made, in particular, that there had been real improvements in the human rights area.

We are, of course, committed to the fullest advance consultation with the Congress in the field of human rights, and I believe the record demonstrates our commitment to this goal.

MR. LUNDINE. Can you explain the failure on the part of Treasury to consult with this subcommittee prior to the change in voting policy toward Chile in June of this year?

MR. CONROW. As I have indicated, the MDB loans to Chile came very quickly after the lifting of the state of siege. We believed it was important for us to react positively to what we considered to be a very encouraging development in the human rights situation there.

MR. LUNDINE: What assurance can you give us that there will be a timely consultation, such as Mr. Dawson described, on decisions of this kind in the future?

MR. CONROW. I can assure you that we will make every effort to carry out consultations in the most timely and effective way that we can.

MR. LUNDINE. Are there any written documents which would provide us with the rationale on which Treasury based its decision to resume voting in favor of World Bank loans to Chile immediately after the state of siege was lifted in Chile? This would include any written directives to the Executive Director at the World Bank, for example. If so, please identify those documents and describe their contents.

MR. CONROW. Yes. There is a memorandum from the executive secretary of the Department of State containing the views of the department on the lifting of the state of siege. A copy of the memorandum is attached.

MR. LUNDINE. Section 701, subsection (g)(1) comprises the reporting requirement in all cases in which the United States Executive Director of an institution opposes any loan for human rights reasons. This subsection states that the report should include the reasons for such opposition, all policy considerations taken into account in reaching the decision to oppose such loan, and information as to how the decision to oppose such loan relates to overall U.S. Government policy on human rights in such country. The quarterly reports received from Treasury dated May 13, 1985 and August 9, 1985, contain no such explanation of reasons or policy considerations in the decision to abstain on loans for Chile although there were two loans during that period on which the U.S. abstained for human rights reasons. In fact, the only quarterly report which the subcommittee has on file since 1981 to attempt to do that is the report dated October 22, 1981. Could you explain the failure to comply with this stated requirement of the quarterly human rights report?

MR. CONROW. It was considered that the relevant information regarding the reason for the vote and policy conditions (such as whether or not the loan was considered to meet basic human needs) was being provided in other parts of the same quarterly

reports. In addition, the concerns about human rights conditions in specific countries are spelled out in descriptions that are included in the quarterly reports. The human rights policy that is being followed in each instance can involve a wide range of instruments such as discussions with country officials, meetings with individuals or groups who are knowledgable about human rights there and, in some instances, a public stance of disapproval. All of this information can certainly be included in future quarterly reports.

SUBJECT: CHILE AND THE STATE OF SIEGE

TO: Stucky, Edward J.
Acting Executive Secretary

DATE RECEIVED: 06/18/85
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FROM: Platt, Nicholas
State

Department of State's views on recent actions taken by the Government of Chile concerning lifting of the State of Siege.

Copies: Deputy Secretary
OASIA Secretariat
Intelligence Support
International Affairs
Deputy Exec Sec

S/S 8517942
United States Department of State

Washington, D.C. 20520

June 18, 1985

MEMORANDUM FOR MR. EDWARD STUCKY
TREASURY DEPARTMENT

SUBJECT: Chile and the State of Siege

Attached are the Department of State's views on recent actions taken by the Government of Chile concerning lifting of the State of Siege. We believe these views should be taken into consideration in determining the U.S. position on loans to Chile that will be considered by the IBRD this week.

for Nicholas Platt
Executive Secretary

Attachment:

As stated.

MEMORANDUM

SUBJECT: • Chile - State of Siege

The Chilean Government lifted the State of Siege effective June 17. This step returns the juridical situation to pre-November 6, 1984 conditions, i.e., Constitutional guarantees subject to provisions of the States of Emergency and Danger of Disturbance of Internal Peace.

Lifting of the State of Siege removes government authority to indefinitely detain persons without charge and to engage in prior censorship of the media. The latter is particularly important to the prospect for democratic political activity in Chile and progress on the transition to democracy.

Over the past few weeks the Chilean Government has released all persons being held at the Pisagua detention camp and closed that camp, which, at one point held 421 persons. With the removal of legal authority for indefinite detention, the remaining ten persons at the Conchi detention camp must either be released or charged and the camp closed. Approximately 45 persons remain in internal exile, down from a high of 257. The ninety-day sentences of these persons will expire over the the next few weeks.

Facing an impending economic crisis and encouraged by the United States and others, the Chilean Government has returned to the status quo ante, removing the specific legal provisions and easing the human rights concerns which conditioned our votes in the International Financial Institutions since November 6, 1984. On this basis, we believe it appropriate to lift human rights objections as one of the factors determining our positions on Chile loans in the International Financial Institutions.

This does not mean that we believe that human rights conditions are totally satisfactory in Chile. The human rights situation in Chile remains very poor and a source of great concern. However, the deterioration brought on by the State of Siege has stopped. Democratic forces have stressed the importance to political dialogue of lifting censorship. If the Chilean Government exercises restraint in applying its remaining censorship authority, progress may be made in advancing the democratic transition process.

Three loans are pending consideration this week: the $55 million Cabo Negro Project in the IFC on June 18, and the $140 million "A" roads loan and $300 million "B" roads loan in the World Bank on June 20.

On the basis of the developments I have noted above, the State Department has no objection to these loans on human rights grounds. We will continue to monitor carefully developments in this area and to advise you of any development affecting our voting policy.